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ABSTRACT

Among 15 conclusions and recommendations resulting from the study of Florida State funding of private postsecondary institutions are the following: (1) contracting with independent institutions for existing academic programs should continue to serve the state as a cost-effective and efficient mechanism; (2) the policies and procedures for establishing and monitoring academic program contracts are effective and access to programs is being enhanced; (3) requests for state support for specialized research and development projects at independent institutions should undergo peer review at the state level prior to consideration by the legislature; (4) the legislature should authorize the State Board of Education and Board of Regents to copyright, patent, or otherwise restrict anything that is produced by, or developed in connection with, state-supported projects at independent institutions; (5) the Florida Tuition Voucher Program should be adequately funded, as requested in the budget of the Department of Education, to provide all eligible students the full award amount authorized; and (6) the need-based Florida Student Assistance Grant Program should be adequately funded to provide all students the full amount of award authorized. Appended is an analysis of the Tuition Voucher program for students enrolled during 1988-89. (DB)

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Report and Recommendations of the Postsecondary Education Planning Commission

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1990 - Report 2

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The Postsecondary Education Planning Commission, initially created by executive order in 1980 and subsequently given statutory authority, serves as an advisory body to the State Board of Education on all postsecondary education matters. The Commission is composed of 11 members of the general public and one full-time student registered at a postsecondary education institution in Florida. Members are appointed by the Governor with the approval of three members of the State Board of Education and subject to confirmation by the Senate.

The major responsibility of the Commission is preparing and updating every five years a master plan for postsecondary education. The enabling legislation directed that the Plan "shall include consideration of the promotion of quality, fundamental educational goals, programmatic access, needs for remedial education, regional and state economic development, demographic patterns, student demand for programs, needs of particular subgroups of the population, implementation of innovative educational techniques and technology, and the requirements of the labor market. The capacity of existing programs, in both public and independent institutions, to respond to identified needs shall be evaluated and a plan shall be developed to respond efficiently to unmet needs."

Other responsibilities include recommending to the State Board of Education program contracts with independent institutions; advising the State Board regarding the need for and location of new programs, branch campuses and centers of public postsecondary education institutions; reviewing public postsecondary education budget requests for compliance with the State Master Plan; recommending to the Commissioner of Education proposals for support through the Postsecondary Cooperation Trust Fund; and periodically evaluating the State's 28 regional coordinating councils for vocational education, adult general education and community instructional services.

Further information about the Commission, its publications, meetings and other activities may be obtained from the Commission office, 210 Collins Building, Department of Education, Tallahassee, Florida, 32399-0400; telephone (904) 488-7894.

POSTSECONDARY EDUCATION PLANNING COMMISSION

STATE FUNDING FOR INDEPENDENT POSTSECONDARY EDUCATION

Prepared in Response to Specific Appropriation 587
of the
1989 General Appropriations Act
Chapter 89-253, Laws of Florida

1990 - Report 2

February 15, 1990

TABLE OF CONTENTS

EXECUTIVE SUMMARY..i

I. INTRODUCTION..1

Direct Funding Mechanisms for Independent Institutions
Indirect Funding Mechanisms for Independent Institutions

II. STATE FUNDING MECHANISMS FOR INDEPENDENT INSTITUTIONS: A NATIONAL PERSPECTIVE..6

Funding Trends
Financing Strategies
Direct Funding Programs
Summary

III. DIRECT FUNDING MECHANISMS FOR INDEPENDENT INSTITUTIONS IN FLORIDA.....15

Academic Program Contracts Reviewed and Recommended by the Commission
Legislature - Initiated Education Projects

IV. INDIRECT FUNDING MECHANISMS FOR INDEPENDENT INSTITUTIONS IN FLORIDA...29

Florida Financial Assistance Programs for Students Attending Independent Institutions
Florida Tuition Voucher Program
Summary

V. ISSUES AND RECOMMENDATIONS..39

Direct Funding Mechanisms for Independent Institutions in Florida
Indirect Funding Mechanisms for Independent Institutions in Florida
Oversight of State Funding for Independent Higher Education
Preservation of the Dual System of Higher Education in Florida
Conclusion

APPENDIX

Analysis of Need-Based Tuition Voucher for Students Enrolled at Eligible Institutions: 1988-89

EXECUTIVE SUMMARY

In proviso language accompanying Specific Appropriation 587 of the 1989 General Appropriations Act, the Postsecondary Education Planning Commission was directed to:

> study state funding of private postsecondary institutions. Specifically the study will include, but not be limited to, the following:
>
> 1. An analysis of the distribution of state student financial aid to private postsecondary institutions, including an analysis of the distribution of need-based and merit-based financial aid.
>
> 2. An analysis of the Florida Tuition Voucher Program, including an analysis of the effect of need-based vouchers on students and institutions.
>
> 3. An analysis of academic program contracting, including an analysis of the rationale for improving or disapproving contract proposals.
>
> 4. An analysis of student services funding, including an analysis of the role of the Commission in funding such programs.
>
> 5. An analysis of research funding, including an analysis of the role of the Commission in funding such research.
>
> 6. An analysis of state policy and practice in regard to each such form of funding and a description of appropriate state policy, including a description of the role of the Commission on such policy and practice.
>
> The Commission will submit its findings and recommendations to the Legislature on or before March 1, 1990.

This study has served as a follow-up to the 1989 Commission's report entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions.**

The overall nationwide enrollment growth in higher education has been slow, but steady in the 1980s with the nationwide independent sector enrollment share remaining between 21-23 percent, and Florida's independent sector enrollment at approximately 20 percent. Public funding for independent higher education varies from state to state. Typically, such funding is designed to address state goals for access, choice, or special needs such as preparing students for health professions or teaching positions. Funding for independent higher education often is related to policies on public tuition rates and financial aid, as well as the degree to which the independent sector is recognized as a valuable part of the overall educational resources of the state. In 1986, Florida was ranked fifth in the nation in the amount of state funds allocated to independent postsecondary education.

The 1982 **Master Plan for Florida Postsecondary Education** stated that independent education is crucial to the maintenance of diversity and choice in postsecondary education in Florida. Strong independent institutions are vital to an effective system of education after high school and to a balanced set of options for students and faculty. The State and students receive mutual benefits by the effective inclusion of independent postsecondary education in Florida's educational structure. Contracting with independent institutions for specific academic programs and providing financial aid to students at independent colleges and universities are recognized as cost-effective ways to meet needs for postsecondary education.

Independent postsecondary institutions in Florida currently receive state funds through several direct and indirect mechanisms which are designed to further the State goals of access and choice, and to provide specialized educational services. Direct funding mechanisms include contracting between the State and independent institutions for educational services. Indirect funding mechanisms include the receipt of state funds for Florida residents attending independent institutions who are eligible for numerous state financial assistance programs. Both direct and indirect funding mechanisms are addressed in this study. The total amount of state funds allocated to independent higher education for 1988-89 was approximately $47 million, and for 1989-90, rose to approximately $50 million.

In conducting this study, the Commission reviewed issues related to direct funding programs including academic program contracts, student services and research funding, and the First Accredited Medical School. The Commission found that the policies and procedures for academic program contracts should be expanded to include identification of educational needs through additional government entities followed by the Commission issuing a request for proposals. The policies and procedures for student services and research funding should provide for the assessment of need and quality. The Commission believes that the State should seek copyright and patent protection for all instructional materials, research, and property that is produced by, or developed in connection with state-supported projects.

The Commission also reviewed issues related to indirect funding programs including the Florida Tuition Voucher and Florida Student Assistance Grants (FSAG). The Commission found that there is overwhelming support to continue the voucher program as the State's primary mechanism for "choice" and that awards should continue to be made without consideration of financial need. The need-based FSAG program should be maintained as the State's primary "access" program and funding should be increased to provide all eligible students the full amount of award to which they are authorized.

The Commission also found that the statute governing the State's interaction with the University of Miami for the First Accredited Medical School should be modified to conform to residency requirements in the State University System and state-funded programs at independent institutions. In addition the Commission found that the State Board of Education should be authorized to require or conduct audits of state-funded programs with independent institutions.

The effectiveness of state funding in helping to preserve the dual system of postsecondary education in Florida was identified as a central issue in this study. The Commission believes that based on both State and national funding indicators, and an increasing enrollment share for the independent sector, the dual system of postsecondary education in Florida is strong. The Commission also recognizes that funding needs for students and priorities for the State change with related changes in population growth, the maturing of the public sector, economic and technological developments, and costs related to tuition levels, facilities, and growth of new programs. Effective state policymaking is dependent on accurate information on current conditions and future projections for tracking state needs and related changes. The Commission believes that the review of such information is necessary to meet the needs of the State through balancing the distribution of financial resources among all available postsecondary education resources.

This report calls for improvements in the policies and procedures for education contracts, provisions for the State to share in revenue generated as a result of activities in state-funded projects, authorization to audit state-funded programs, and regular reporting by the Commission on the status of independent postsecondary education in Florida. The review resulted in the following specific recommendations:

Recommendations:

1. **Contracting with independent institutions for existing academic programs should continue to serve the State as a cost effective and efficient mechanism to provide access to needed educational opportunities by taking advantage of independent institutions' prior investments and avoiding duplicative start-up costs.**

2. **The policies and procedures for establishing and monitoring academic program contracts provide for the evaluation of need, quality, and cost efficiency necessary to ensure the prudent use of state funds and that access to selected programs in independent institutions is being enhanced, and should therefore be maintained.** The alternative paths currently used by the Commission for the identification of possible program areas to be considered for a contract (through a special study by the Commission or directly by the institution) should continue to serve as mechanisms for identification of program areas of need. In addition, when postsecondary education needs are identified by other sources external to the Commission, a request for proposals process should be initiated by the Commission, after which established policies and procedures for the review of academic program contract proposals should be followed.

3. **The Commission should review all proposals for state support of instructional or student services projects in independent institutions for recommendation to the State Board of Education**

and the Legislature, and to assist in the periodic review of funded projects. Contracts for funded projects should be administered by the Department of Education.

4. **Requests for state support for specialized research and development projects at independent institutions should undergo a process of peer review at the state level prior to consideration by the Legislature.** Such a process should include the submission of competitive proposals from institutions of higher education in Florida to be reviewed by an expert consultant(s) from outside the State, or a state council or agency for research, e.g., the Florida High Technology and Industry Council.

5. **The Legislature should authorize the State Board of Education and Board of Regents to copyright, patent, or otherwise restrict anything that is produced by, or developed in connection with state-supported projects at independent institutions.** The State should be entitled to a share of any revenue generated as a result of such projects. Provisions for copyright, patent, and revenue sharing should be set forth in the contract with independent institutions and should be comparable to those with employees at public institutions.

6. **Tuition voucher awards to resident students should continue to offset tuition levels in the independent sector and should be made without the consideration of financial need.** The Tuition Voucher Program should continue to be the State's primary mechanism for supporting a strong independent postsecondary presence in Florida.

7. **The State should continue to relate decisions affecting funding levels for the Tuition Voucher Program to state tuition policy.**

8. **The Florida Tuition Voucher Program should be adequately funded, as requested in the budget of the Department of Education, to provide all eligible students the full award amount authorized.**

9. **The need-based Florida Student Assistance Grant Program (FSAG) should be maintained as the State's primary "access" grant program serving students in the public and independent postsecondary education sectors.**

10. **The Florida Student Assistance Grant Program should be adequately funded to provide all students the full amount of award authorized.** Funding should be increased to ensure that all eligible students receive a maximum award of at least $1300. Once this funding level is achieved, funding should be increased to raise the maximum award to at least $1500 as authorized in statute. As educational costs increase, future growth in the statutory cap should be considered to assure continued access for those students with demonstrated need. As

the State's primary "access" grant program, adequately funding the FSAG should receive a high funding priority.

11. **The Department of Education's Postsecondary Education Policy Unit and the Office of Student Financial Assistance should continue to work together to monitor the receipt of state aid by students participating in mutually exclusive programs such as the Tuition Voucher Program and Academic Program Contracts.**

12. **Procedures for the determination of residency in the State University System and independent institutions' contract programs should continue to be consistent.** Documentation of residency determination for participation in program contracts with independent postsecondary education institutions should be examined within all general audits or reviews of the contract programs as well as those programs with independent institutions administered by the Board of Regents.

13. **The statute governing state capitation support for the University of Miami Medical School (Section 242.62, Florida Statutes), should be modified to conform to or include the definition of Florida residency described in Section 240.1201, Florida Statutes.**

14. **Section 229.053(2)(o), Florida Statutes, should be amended to authorize the State Board of Education to call for or conduct an audit of state-funded programs with independent institutions when deemed necessary.**

15. **The Commission should review data related to enrollment trends and state funding for independent higher education and regularly report on the status of independent higher education in Florida.**

I. INTRODUCTION

In proviso language accompanying Specific Appropriation 587 of the 1989 General Appropriations Act, the Postsecondary Education Planning Commission was directed to

> study state funding of private postsecondary institutions. Specifically the study will include, but not be limited to, the following:
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> 1. An analysis of the distribution of state student financial aid to private postsecondary institutions, including an analysis of the distribution of need-based and merit-based financial aid.
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> 2. An analysis of the Florida Tuition Voucher Program, including an analysis of the effect of need-based vouchers on students and institutions.
>
> 3. An analysis of academic program contracting, including an analysis of the rationale for improving or disapproving contract proposals.
>
> 4. An analysis of student services funding, including an analysis of the role of the Commission in funding such programs.
>
> 5. An analysis of research funding, including an analysis of the role of the Commission in funding such research.
>
> 6. An analysis of state policy and practice in regard to each such form of funding and a description of appropriate state policy, including a description of the role of the Commission on such policy and practice.
>
> The Commission will submit its findings and recommendation to the Legislature on or before March 1, 1990.

This study is envisioned as a follow-up to the 1989 Commission's report entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions**.

To direct this study, the Commission Chairman appointed a Planning Committee consisting of Commission members Alan Fickett, Chairman, Ralph Hogges, Robert Mautz, Tom McGehee, and Carolyn Wilson. The Committee held five public meetings at which time information was presented on direct and indirect funding mechanisms for independent institutions in Florida, as well as funding mechanisms for the independent sector that are utilized in other states.

The 1982 **Master Plan for Florida Postsecondary Education** stated that independent education is crucial to the maintenance of diversity and choice in postsecondary education in Florida. Strong independent institutions are vital to an effective system of education after high school and to a balanced set of options for students and faculty. The State and students receive mutual benefits by the effective inclusion of independent postsecondary education in Florida's educational structure. Contracting with independent institutions for specific academic programs and providing financial aid to students at independent colleges and universities are recognized as cost-effective ways to meet needs for postsecondary education.

While recognizing the importance of maintaining the autonomy of independent institutions, the **Master Plan** recommends that the State use the important resources of the independent sector and encourage stronger linkages between public and independent higher education. Since their independent status offers a substantial measure of protection for academic freedom and institutional autonomy, the policy and program decisions of independent institutions remain the responsibility of their boards of trustees. The Commission's recommendations for the inclusion of the resources of independent institutions in the **Master Plan** are not meant to infringe upon the customs and practices of these boards; however, proper fiscal accounting of all state funds received and for fulfilling all contractual agreements is required.

The 1988 **Master Plan Update** recommends that contracting with independent institutions for existing academic programs should continue to serve the State as a cost effective and efficient mechanism to provide needed educational opportunities. Through academic program contracts, the State takes advantage of the prior investments of independent institutions and avoids duplicative start-up costs in the public sector. In addition, the 1988 **Master Plan Update** notes the advantage to the State provided by contracting to maintain flexibility to adjust levels of services according to changing needs that are reflected in the Commission's annual evaluation of each contract. The 1988 **Master Plan Update** also supports the continuation of the Tuition Voucher Program as the State's primary mechanism for supporting a strong independent postsecondary presence in Florida.

Independent postsecondary institutions currently receive state funds through several direct and indirect mechanisms which are designed to further the State goals of access and choice, and to provide specialized educational services. Direct funding mechanisms include contracting between the State and independent institutions for educational services. Indirect funding mechanisms include the receipt of state funds for Florida residents attending independent institutions who are eligible for numerous state financial assistance programs. Both direct and indirect funding mechanisms are addressed in this study.

Direct Funding Mechanisms for Independent Institutions

Florida provides direct funding to independent institutions through a variety of contracts. In 1988, the Legislature directed the Commission to review the current policies and procedures related to contracts at independent institutions. The Commission's 1989 report entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions** provides an in depth review of the contracting process. This current study serves in part as a follow-up to the 1988-89 study by examining state support for independent institutions in Florida within the broader context of such indirect funding mechanisms as student financial aid and the tuition voucher program.

State-supported education contracts with independent institutions in Florida have increased dramatically during the 1980s. Increasing from a $868,019 appropriation in 1981, the 1989 Legislature appropriated approximately $11.2 million to support several different types of education contracts at independent institutions. These contracts vary according to their purposes, funding initiation processes, and review processes. The first type involves the State of Florida contracting with independent colleges and universities for Florida resident students to participate at state tuition rates in selected academic programs. The 1989 Legislature appropriated $3,950,893 for 15 academic program contracts with independent institutions.

The second type of education contract is depicted by projects for which funds are directly appropriated by the Legislature without a formal state-level review prior to funding. Once funds are appropriated by the Legislature to support these contracts, they have generally been placed within the budget of the Board of Regents or the Department of Education. In contrast to the academic program contracts which are intended to increase access to selected academic programs, these contracts focus primarily on special instructional programs, student services and/or special research and development interests of the State. The Southeastern College of Medicine and Southeastern College of Pharmacy (SECOP) projects were created by the Legislature without a review or recommendation by the Commission or State Board of Education; however, as directed by the Legislature, each now receives an annual review by the Commission (SECOM since 1985 and SECOP since 1988). In 1989 the Legislature appropriated $2,050,000 for these two projects at the Southeastern University of the Health Sciences. The 1989 Legislature appropriated $5,180,366 for 11 student services and research and development project contracts. In addition, since 1951, the State has also provided direct aid to the University of Miami through an appropriation for the First Accredited Medical School pursuant to Section 242.62, Florida Statutes. The 1989 Legislature appropriated $11,645,392 to the First Accredited Medical School. Table 1 illustrates the magnitude of state-funded education projects at the institutional level.

Indirect Funding Mechanisms for Independent Institutions

Independent institutions benefit indirectly from State funds through tuition collected from enrolled students receiving State financial assistance. Florida resident students who attend independent colleges and universities are eligible for numerous state financial assistance programs most of which are also available to students at public institutions. Financial assistance is typically designed to provide need-based assistance, reward high academic scholarship, attract students to public school teaching or high technology fields, or narrow the difference between tuition levels at public and independent institutions. Some programs are scholarships or grants, and some are loans which can be forgiven under certain conditions. Some of the financial assistance programs available to Florida students enrolled at independent institutions are the Florida Undergraduate and Graduate Scholars' Programs (S. 240.402, F.S. and S. 240.4025, F.S.), the Critical Teacher Shortage Trust Fund Programs (S. 240.4065, F.S.), the Florida Student Assistance Grant Program (S. 240.4095, F.S.) the College Career Work Experience Program (S. 240.60, F.S.), the Masters' Fellowship Loan Program (S. 240.4066, F.S.), and the "Chappie" James Most Promising Teacher Scholarship Loan Program (S. 240.4068, F.S.). In 1988-89, students attending independent institutions in Florida received approximately $10.4 million through State financial aid programs (See Table 7, page 38.)

TABLE 1

1989-90
STATE-FUNDED EDUCATION CONTRACTS WITH INDEPENDENT INSTITUTIONS

INSTITUTION	FUNDING AND NUMBER OF EDUCATION CONTRACTS		TOTAL EDUCATION CONTRACT DOLLARS
	PEPC RECOMMENDED AND REVIEWED	DIRECT LEGISLATIVE APPROPRIATION	
University of Miami *	$2,651,976/8	$2,300,000/5	$4,951,976
Southeastern University of the Health Sciences	-	105,000/1	105,000
Nova University	-	1,309,566/1	1,309,566
Bethune-Cookman College	28,940/1	600,000/2	628,940
Florida Institute of Technology	616,363/2	-	616,363
Technical Research Development Authority ***	-	615,800/1	615,800
Barry University	486,490/2	-	486,490
Edward Waters College	-	250,000/1	250,000
Florida Southern College	88,164/1	-	88,164
Mt. Sinai Medical Center	78,960/1	-	78,960
SUBTOTAL	$3,950,893/15	$5,180,366/11	$9,131,259
Southeastern University of the Health Sciences **	$2,050,000/2	-	$2,050,000
TOTAL			$11,181,259

* Does not include the appropriation to the First Accredited Medical School ($11,645,392 in 1989-90).

** Although the Southeastern College of Osteopathic Medicine (SECOM) and the Southeastern College of Pharmacy (SECOP) projects were created by the Legislature without Commission review, each now receives an annual review by the Commission (SECOM since 1985 and SECOP since 1988).

*** TRDA is an independent agency housed at FIT.

A second mechanism which indirectly assists independent postsecondary institutions is the Tuition Voucher Program. With $16.7 million appropriated in 1989-90, the tuition voucher is the largest single appropriation for postsecondary education exclusively devoted to the independent sector. In 1989-90, the maximum amount available annually to an eligible student through a tuition voucher is $1150. Students who are supported by an academic program contract may not receive a voucher. However, students who qualify for a tuition voucher may receive other state student financial assistance if they meet the eligibility requirements of the specific programs. In 1988-89, students attending eligible independent institutions in Florida received approximately $16.7 million through the Tuition Voucher Program.

This study examines the various types of state funding for independent postsecondary education. Chapter II provides a national perspective of state funding for the independent sector and discusses examples of funding programs for independent institutions in other states. Chapters III and IV describe the direct and indirect funding mechanisms utilized in Florida. Chapter V identifies issues and Commission recommendations pertaining to state funding for independent postsecondary education.

II. STATE FUNDING FOR INDEPENDENT POSTSECONDARY INSTITUTIONS: A NATIONAL PERSPECTIVE

Public funding for independent higher education varies from state to state. Funding policies for independent higher education are related to policies determining public tuition rates and financial aid, as well as to the degree to which the independent sector is recognized as a valuable part of the overall educational resources of the state. Typically, public funding for independent higher education is designed to address state goals for access, choice, or special needs such as preparing students for health professions or teaching positions. This paper provides a national overview of state funding for independent higher education by describing enrollment shares, financial aid programs and funding, public tuition rate policies, direct funding programs and funding strategies aimed at the independent sector.

Since World War II the arena of higher education has changed dramatically; the presence and financing of the independent sector not withstanding. While all sectors of higher education enjoyed substantial growth after the war, the relative share of institutions and students enrolled shifted significantly from the independent sector to the public sector. Prior to the war, half of the students and 75 percent of colleges and universities were in the independent sector. By 1980, half of the institutions and 75 percent of the students were in the public sector. Liberal arts colleges and specialized institutions, such as theological schools, medical schools, and schools of art, music, and design are found predominately in the independent sector; whereas, doctoral-granting, comprehensive, and two-year institutions are more commonly found in the public sector.

Between 1950 and 1980, state governments increased the amount of tax support to public higher education which not only served to create enrollment space, but also slowed the rate of tuition increases in the public sector. The net effect of increased space and lower costs produced tremendous growth in the public sector.

Slowing the growth of tuition rates in the public sector contributed to the difference between the public and independent sector rates increasing, a phenomenon commonly referred to as the growing tuition gap. Although the tuition gap has continued to grow, the share of total enrollment nationwide for the independent sector has remained between 21 and 23 percent since 1976, and has remained at approximately 20 percent in Florida. Nationally, the rapid relative growth of the 1950-1975 era was most pronounced in the community college public sector, where growth has now abated. The stability of the enrollment share between the public and independent sectors is partially attributed to the overall stable condition resulting from gradual enrollment growth. An important factor that has contributed to the independent sector's maintaining a stable enrollment share is the availability of large amounts of federal and state financial assistance that has had the effect of reducing the net cost difference for students eligible for assistance.

Funding Trends

Initially, the federal government emerged as the major provider of student financial aid in the 1960s. Since the early 1970s, the federal government has directed financial assistance to students rather than institutions. Federal aid programs were developed for need-based grants, subsidized long-term loans, campus administered programs, and programs to provide incentives to states to establish student aid grants. During the 1970s federal aid to students increased 437 percent to $14.408 billion, a 200 percent constant dollar increase. Recognition of the soaring costs to provide this level of aid resulted in a greatly reduced rate of growth in federal aid during the 1980s. Denis Curry (1988) reported that between 1980-81 and 1986-87 federal aid decreased by almost 16 percent in constant dollar terms. In the August 1989 edition of **Trends in Student Aid: 1980-1989**, the College Board reported that over the course of the 1980s, the federal share of available aid has decreased from 83 to 75 percent.

The change in the federal government's stance toward student financial assistance resulted in a combined effort by institutions and state governments to provide the aid necessary to ensure access. Independent institutions finance aid programs primarily from tuition revenues; therefore, provision of institutional aid has a direct effect on tuition levels. As federal aid rose in the 1970s, the rate of tuition growth slowed in the independent sector, and vice versa in the 1980s.

Many state governments responded to federal changes in the 1980s by increasing financial assistance to $1.5 billion in 1986-87, thereby becoming the fastest growing source of aid. Each year the National Association of State Scholarship and Grant Programs (NASSGP) publishes a survey report on the state financial assistance programs offered to undergraduate and graduate students who attend public or independent postsecondary educational institutions. The NASSGP **20th Annual Survey Report: 1988-89 Academic Year** reported that:

> in 1988-89 states are expected to award over $1.9 billion in grant aid to over 1.7 million students in postsecondary education. This represents a 9 percent growth rate over last year's $1.75 billion. Over 78 percent of the dollars will be received by undergraduates from comprehensive need-based programs. The expected growth rate for need-based aid to undergraduates is only 7.8 percent. The actual growth rate between 1986-87 and 1987-88 was only 4.0 percent. (p. 1)

The survey report states that since 1983 the annual growth rate for need-based aid has been slowing. On the other hand, non-need-based undergraduate grant programs in the 29 states with such programs were expected to increase their award dollars by 17 percent in 1988-89. Growth was especially large for merit-based scholarships; the 19 states with such programs expected to increase their award levels by 37 percent. The survey report further indicated that:

> there is some evidence to suggest that support for non-need-based types of aid programs is increasing in several states, even as college costs are increasing and driving financial aid needs upward.

> For the past five years, in 21 of the 29 states with both need-based and non-need-based grant programs, the non-need-based dollars have grown at a faster rate. (p. 1)

This growth is partially attributed to non-need-programs being a recent phenomenon, as prior to 1980 the vast majority of state grant programs were need-based. Yet for the nation as a whole, state funds (actual dollars in contrast to rates of growth) for need-based grants have grown more than funds for non-need-based grants, $466 million versus $66 million, since 1983-83. The Southern Regional Education Board reported in **State-Supported Programs for Private Higher Education** (November 1989) that for its nine member states, funds for need-based awards have grown by a greater percentage than funding not tied to need.

It is reported in the 1988-89 NASSGP survey that "for the second consecutive year, the average grant award is expected to exceed $1000, at $1136, up 6 percent from 1987-88's $1068" (p. 6). Of the 40 states reporting in 1988-89, 86 percent of the undergraduate students receiving need-based scholarships and grants were from families whose gross family income was less than $30,000, and 95 percent from families whose gross family income was less than $40,000.

In Florida the estimated rate of growth for need-based award dollars for undergraduate students between 1987-88 and 1988-89 was 29 percent. The rate of growth for the number of need-based undergraduate award recipients during the same time period was 7 percent. The average need-based award increased from $857 in 1987-88, to $1032 in 1988-89, a growth rate of 20 percent.

Nationally, for the past five years the distribution of undergraduate need-based grant awards and dollars between the public and independent sectors has remained relatively constant. In 1988-89 the estimated distribution of need-based award dollars was 44 percent to the in-state public sector, and 55 percent to the in-state independent sector. For the same year the estimated distribution of recipients of need-based awards was 62 percent in the public sector and 36 percent in the independent sector. In Florida the estimated distribution of need-based state grant dollars in 1988-89 was 51 percent to recipients at public institutions and 49 percent to recipients attending independent institutions. The estimated distribution of the number of need-based award recipients was 62 percent in the public sector and 38 percent in the independent sector.

The NASSGP survey reported that five southern states (Alabama, Florida, Georgia, North Carolina, and Virginia) and one Midwestern state (Ohio) have tuition offset grant programs for students attending independent colleges. In 1988-89 these programs were expected to award $82.4 million or about 52 percent of all the aggregate non-need-based aid to undergraduates. The expected growth rate between 1987-88 and 1988-89 was slightly over six percent, and between 1983-84 and 1988-89, about 55 percent. In Florida the Tuition Voucher Program (tuition offset) grew 11 percent between 1987-88 and 1988-89, and about 65 percent between 1983-84 and 1988-89. In contrast to the non-need-based tuition assistance program growth, the expected growth rate for aggregate need-based aid in the same six states was 10 percent for 1988-89, and 30 percent since 1983-84. In Florida the rate of growth for need-based grants for undergraduate students between 1987-88 and 1988-89 was 29 percent.

The March/April 1988 edition of **Change: The Magazine of Higher Learning** reported in "Public Support of Private Colleges" that Florida is among the states that provide the greatest amount of state and local current-fund revenues to independent institutions. The article reported:

> in 1985-86, ... seven states - New York, Pennsylvania, Illinois, Texas, Florida, New Jersey, and Massachusetts (in descending order) - accounted for more than three-fourths of the $909.5 million in state and local assistance for private colleges and universities. The leader, New York, allocated 41.8 percent of the entire amount. (p. 36)

Table 2 summarizes the provision of public funds to the independent sector, and independent higher education enrollments for the eight states that provide the greatest amounts of financial assistance to the independent sector, plus selected states in the Southeast (Georgia, Virginia, Tennessee, Alabama, and South Carolina).

Although some of the states providing the greatest amount of aid have either a large number or high percentage of their students enrolled in the independent sector, the amount of assistance does not necessarily relate directly to enrollment levels. For example, New York and Pennsylvania enroll similar shares of their students in the independent sector, 43.7 and 43.6; yet, independent institutions in New York receive $380,027,000 from the state, compared to $118,254,000 from Pennsylvania. Pennsylvania and Massachusetts enroll a similar number of students in independent institutions, 232,675 and 235,573; yet, Pennsylvania spends $118,254,000 compared to Massachusetts $28,797,000 for the independent sector.

Financing Strategies

Financial aid policies are only one element in the financing of higher education strategy of a state in regard to the independent sector. Size and rate of growth of state programs, tuition policies, and direct support appropriations are the other major elements. The higher education financing strategy of a state can be categorized according to two dimensions: public tuition levels and student financial assistance levels. Florida financing strategy can be characterized as having low public tuition rates and high student aid. A number of Southern states and California have utilized the low to moderate public tuition and high student aid strategy in an effort to balance the interests of the public and independent sectors.

The states in Table 2 that provide the greatest amounts of funds to the independent sector have either the low tuition/high financial aid funding approach (Texas, Florida and North Carolina) or the high tuition/high financial aid funding approach that is common in the Northeast (New York, Pennsylvania, New Jersey, and Massachusetts) or in the Northcentral region (Illinois). The average amount of state funds per independent student is above the national average for each of these eight states with the exception of Massachusetts. These states offer a variety of need-based and non-need-based financial assistance programs to students attending independent institutions and aid to the institutions directly.

TABLE 2

STATE FUNDS AND ENROLLMENTS IN INDEPENDENT INSTITUTIONS BY STATE: 1985-86

State	National Rank ($ to Independent Sector)	Funds to Independent Sector (in thousands)	Percent of National $ Total	Enrollment # for Independent Sector	Private Enrollment as a Percent of State Total	Percent of Total National Enrollment	State Funds Per Independent Student
Nation	-	$909,576	100.0%	2,767,782	22.6%	22.6%	$ 328.63
New York	1	380,027	41.8	436,847	43.7	15.8	869.93
Pennsylvania	2	118,254	13.0	232,675	43.6	8.4	508.24
Illinois	3	53,033	5.8	158,465	23.3	5.7	334.67
Texas	4	48,009	5.3	92,500	12.0	3.3	519.02
Florida	**5**	**43,482**	**4.8**	**89,151**	**19.8**	**3.2**	**487.73**
New Jersey	6	37,482	4.1	60,361	20.3	2.2	620.96
Massachusetts	7	28,797	3.2	235,573	55.9	8.5	122.24
North Carolina	8	23,306	2.6	60,244	18.4	2.2	386.86
Georgia	14	12,461	1.4	47,870	24.3	1.7	260.31
Virginia	16	9,114	1.0	41,662	14.2	1.5	218.76
Tennessee	17	8,930	1.0	46,894	24.1	1.7	190.43
Alabama	20	5,468	0.6	20,655	11.5	0.7	264.73
South Carolina	27	1,771	0.2	26,048	19.7	0.9	67.99

Source: "Public Support of Private Colleges," **Change**, March/April 1988, pp. 35-40.

Direct Funding Programs

In addition to the indirect funding provided to independent institutions through student financial assistance and tuition offset programs, some states that seek to address the interests of the independent sector have designed a variety of programs to provide financial assistance directly to independent higher education. A direct funding mechanism which has been utilized in Florida is state contracting with independent institutions for academic programs, student services, and research and development. A discussion of contracting efforts in other states is included in the 1989 Commission report entitled **A Study of Academic Program Contracts With Independent Postsecondary Institutions**. The 1989 Commission report states that Florida has been cited repeatedly as a leader in contracting with the independent sector. The recognition of Florida as a leader was supported by the variety of programs, the magnitude of funding, and the comprehensiveness of policies and procedures used in Florida's contracting with independent institutions.

The 1989 study reports that contracting with institutions in the independent sector for academic programs represents an effort by a state to increase access for in-state students through efficient use of all postsecondary resources available. Participating states view contracting with the independent sector as a more economic way of providing educational opportunities for the diverse needs and interests of residents rather than attempting to build additional programs within institutions in the public sector. Contracting efforts in Tennessee, Minnesota, Virginia, New Jersey, Connecticut, and Missouri are described in the 1989 report. The report summarizes that it appears that those states currently involved with contracting are typically expanding access for their residents in health related fields. There is also some evidence of contracting by a few states on a small scale for engineering and teacher education.

Additional direct funding programs are described for a number of states in the following sections.

New Jersey

New Jersey has two direct institutional funding programs for independent institutions. First, the Independent College and University Assistance Act (ICUAA) provides direct funding to 16 independent institutions with a public mission. This legislation was enacted in 1979 to reflect the state's commitment to the preservation of a diverse system of higher education. Aid to independent higher education was initiated to help assure maximum educational choice through the preservation of the vitality and quality of independent institutions in the state. The legislation calls for the funding to the 16 independent institutions to be linked to aid to the public sector. Specifically, the total funding to the independent sector is determined by taking 25 percent of the direct net state support per full-time equivalent students in the state colleges in the previous academic year and multiplying this number by the number of full-time equivalent New Jersey undergraduate students in the state colleges in the previous academic year. However, funding of the independent sector has not in the past been in accordance with this formula. The FY 1990 appropriation of $23.8 million is approximately 86 percent of full funding. The increase to $28,825,000 being requested for FY 1991 would bring the funding in line with the legislation.

The Challenge Grant Program for the 16 independent colleges and universities in New Jersey was initially funded in 1989-90. All 16 eligible institutions responded to the competitive Challenge Program in the first year. The program is designed to challenge independent institutions to excellence--specifically to strengthen their uniqueness, and their special contribution to the State of New Jersey. The grants cannot be used for capital construction or building improvements. For 1989-90, a panel of nationally recognized experts reviewed institutional strategic plans and project proposals and recommended four projects (Bloomfield College, Fairleigh Dickinson University, St. Peter's College and Westminster Choir College) for funding. In FY 1990 ten institutions submitted proposals and strategic plans for review by a panel of out-of-state college presidents. The FY 1990 recommendations for the funding of additional projects were presented to the Board of Higher Education for its approval in the Fall of 1989. The FY 1991 recommendation of $4.5 million would bring the total amount provided under the Challenge to the Independents to $15 million.

Pennsylvania

Pennsylvania provides state support to private institutions through four different approaches. First, four state-related institutions in Pennsylvania each receive annual appropriations. In 1989-90 these appropriations include $240,072,000 to Pennsylvania State University, $131,115,000 to the University of Pittsburgh; $133,831,000 to Temple University, and $9,541,000 to Lincoln University for a total of $514,559,000. Each institution is classified as a private nonprofit corporation; however, the State has a significant role in the governance and budget structure of the universities. Eleven other independent institutions are receiving a total of over $74 million in state aid in 1989-90 through a program initiated in the 1930s. This state-aid program had supported 16 institutions, but four independents terminated the program because of state-imposed requirements and two institutions recently merged. Institutional Assistance Grants (IAG) are a third type of state-supported funding available to independent institutions in Pennsylvania not covered by the first two types of support. The IAG grant is directly proportional to the number of state residents enrolled at the institution who are receiving need-based state assistance grants. In 1989-90, $24.4 million was available for this purpose at an average amount of $767 per Pennsylvania resident who is a recipient of a state assistance grant. The fourth type of aid program, the Equipment Grants Program, was established in 1988 to provide both public and independent institutions with funds on a per capita basis for equipment enhancement. In 1988-89 a total of $14.1 million was appropriated for both the private and independent sectors. In 1989-90 the appropriation was reduced to $6 million and restricted to independent institutions.

New York

The Bundy Aid Program was established in New York State in 1969 to provide direct unrestricted financial support to certain independent colleges and universities in the state. Institutions interested in participating in the Bundy Aid Program must be accredited by a nationally recognized accrediting agency and must demonstrate certain conditions for the separation of church and state. The program began with 57 institutions and $25.5 million. By 1989, the number of participating institutions has grown to 99 and the annual disbursement to over $113 million. Since the inception of the program, over $1.4 billion has been received by participating institutions. The aid is unrestricted; however, the institution is required to submit an annual statement of how funds were spent. The formula used to determine the annual entitlement to participating institutions is based on the number of degrees conferred. Participation is limited to institutions which have one or more associate degree programs or higher, and specified standards of educational quality comparable to public institutions are applicable. The funding formula allots $600 for associate degrees conferred at free-standing, two-year community colleges, $1500 for bachelor degrees, $950 for master degrees, and $4550 for doctoral degrees.

New York also offers the Medical and Dental Capitation Aid Program which is based on resident enrollment. Nine institutions participate in this unrestricted aid program. Further state resources are designated to medical and dental education through a variety of contractual agreements with private in-state and out-of-state institutions. A service requirement is attached to participation in the out-of-state contracts.

New York provides direct funds to independent institutions for a college work study program designed for undergraduate New York residents. The College Work Study Program is currently funded at $6 million for 1989-90 to provide reimbursement funds to the participating institutions. Lastly, independent institutions are eligible to receive state funds for endowed chairs. New York's Regents Chairs Program funds five chairs in both the sciences and humanities. Currently, half of the established chairs are in the independent sector. Each chair is funded at $100,000 for the purpose of program enhancement. The award of a chair is made specific to the individual holder, and has been instrumental in attracting other funds through federal grants and endowments.

Illinois

The State of Illinois recognizes the social and economic contributions made by independent higher education and incorporates the interests of the independent sector into its funding strategies. In addition to indirect funding through student financial assistance, Illinois has four programs that provide direct support to private institutions. The Financial Assistance Act for Nonpublic Institutions of Higher Learning provides direct grants to institutions based upon the full-time-equivalent enrollment of Illinois residents in undergraduate programs. This act has been funded at $16.9 million for FY 1990.

Under the Health Services Education Grants Act, state funding is provided to private institutions offering programs that educate and train health professionals. Legislation approved in 1983 authorized the Engineering Equipment Grants Act for the purpose of upgrading equipment in public and private university engineering programs. In fiscal year 1990, grants to private institutions under these two programs totaled $15.8 million. These grants help the nonpublic institutions to meet the high cost of providing education in these fields.

Finally, independent institutions are eligible for capital grants to fund renovations and repair projects. For 1989-90, the program was funded for $10 million for science and technology equipment and renovation projects and $5 million for general renovation projects. The appropriation was provided through general revenue funds.

Summary

The overall enrollment growth in higher education has been slow, but steady in the 1980s with the nationwide independent sector enrollment share remaining between 21-23 percent, and Florida's independent sector enrollment at approximately 20 percent. Some states have considered the interests of independent higher education when forming funding policies for both the public and independent sectors. A number of states in the Northeast and Eastern Northcentral regions of the country have accommodated the interests of independent higher education by incorporating a funding strategy of higher tuition in the public sector and generous financial aid programs. Several Southern states and California have addressed the interests of the public and independent sector by offering generous financial aid and tuition offset programs to balance tuition disparities caused by low public tuition rates. An array of indirect and direct funding programs which affect independent higher education is being utilized in most of these states. The efforts, which make state funds available to independent institutions or to the students attending them, help to ensure that access and choice are available to residents and the special interests of the states are being addressed.

III. DIRECT FUNDING MECHANISMS FOR INDEPENDENT INSTITUTIONS

Florida provides direct funding to independent institutions through a variety of contracts. In 1988 the Legislature directed the Commission to review the current policies and procedures related to contracts at independent institutions. The Commission's 1989 report entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions** provides an in depth review of the contracting process. Contracts vary according to their purposes, funding initiation processes, and review processes. The contracts currently funded may be classified as academic program contracts receiving Commission review and recommendation prior to funding, and contracts that are initially funded by the Legislature without Commission review. This chapter will serve as a follow-up to the 1988-89 study by including changes in policies and procedures which followed the previous study and changes in legislative funding of contracts for 1989-90. Table 1 (page 4) illustrates the magnitude of state-funded education contracts at the institutional level.

Academic Program Contracts Reviewed and Recommended by the Commission

In 1975 the Legislature authorized the State of Florida to contract with independent colleges and universities for the participation of Florida residents in selected academic programs at state tuition rates. The authorization and funding of academic contracts represent one manifestation of the recognition by the State that all postsecondary education resources must be utilized to meet the educational needs of a rapidly growing state. Academic program contracting serves primarily as a means for the State to meet unfulfilled postsecondary education needs in an effective manner, rather than as a form of assistance to independent institutions.

The authority for the academic contracting process was transferred from the Board of Regents to the State Board of Education in 1981 "to contract with (accredited) independent institutions...for the provision of those educational programs and facilities which will meet needs unfulfilled by the state system of postsecondary education" (S. 229.053(2)(o), F.S.). At that time, the Postsecondary Education Planning Commission was created and assigned the responsibility to "recommend to the State Board of Education contracts with independent institutions to conduct programs consistent with the state master plan for postsecondary education" (S. 240.147(4), F.S.).

The authority for academic program contracts, according to State Board of Education Rule 6A-10.032, FAC:

> is based upon the principles of efficiency, effectiveness, and economy. The State Board may contract for a program or for the use of an existing facility if it can be demonstrated that the state need for the program or facility may be met at lower cost or more effectively through contracting. In all cases, the program or facility obtained through contract must be of equal quality as similar programs and facilities in the state system of postsecondary education.

Both the **Master Plan for Florida Postsecondary Education** and the 1988 **Master Plan Update** recognize academic program contracting "as a cost-effective approach to meeting the State's needs and goals. Contracting should be recognized as a vehicle to make use of the highest quality programs as well as a means for economizing on state funds."

The **Master Plan** describes several advantages to the State which arise from the use of this process:

> It is economical in that, normally, a contract does not have to support fully the program but usually pays only the difference between private and public tuition and is tied to a specific number of students to be served. Thus the State is able to take advantage of the substantial past investment made by the independent institution to develop the program and the fact that the full cost of the program will still be covered largely by non-state sources. Contracting enables the State to respond promptly and effectively to needs. Moreover, the annual renewal condition of a contract allows the State to maintain flexibility to adjust levels of services to reflect changing volume of need or a more effective or efficient response from an alternate source. This needs-focused approach can provide financial incentives to encourage and make practical cooperative arrangements between public and independent institutions.

As envisioned by the **Master Plan**, statute and rule, the contracting process assures prudent expenditure of state monies for the provision of postsecondary education services and the utilization of a fuller range of the State's resources. When the State enters a contract with an established academic program at an independent institution, it takes advantage of the institution's prior investment and avoids duplicative start-up costs. Florida's citizens gain access to needed quality programs at competitive costs and at public tuition rates. The independent institutions involved in contracting benefit primarily from an increased pool of students who are better able, with state assistance, to afford to enter the selected contract programs.

In the 1989 report entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions**, the Commission recommended a number of changes in the procedures utilized in the proposal submission and review process and in the review of existing contracts process. The following sections will describe changes in these processes. In addition, a summary of the history of funding academic program contracts will follow.

Initial Proposal Submission and Review

The policies and procedures used in establishing and monitoring academic program contracts received analysis in the 1989 study on academic program contracts. For the 1989 study, the Commission contracted with an external consultant with expertise in conducting needs assessments and program reviews. The consultant suggested changes in the information requested in the proposal application and the adoption of a two-step approach to proposal submission and assessment of need. The Commission recommended the implementation of the suggestion for additional proposal information; and for establishing academic program contracts, the Commission recommended that:

> the Commission's procedures for proposal submission should be modified to permit an independent institution to provide a statement of intent for evaluation and response by the Commission prior to submission of a complete proposal. The statement of intent should include justification for program need.

The Commission also recommended that an out-of-state consultant with expertise in the discipline area being evaluated should continue to be employed to assist in the assessment of program quality, and that the State should continue to fund academic program contracts on the basis of tuition differential per credit hour.

As a result of recommendations made in the 1989 report on contracting, the Commission approved a two-step approach to proposal submission and review. In August 1989, the Commission incorporated the recommended changes and prepared a manual entitled **Academic Program Contracting Between the Florida State Board of Education and Independent Postsecondary Education Institutions: Policies and Procedures for Preparing a Contract Application**. This manual provides independent institutions with an explanation of the specific information needed for the prospectus and complete proposal, and the timetable for submission and review. Briefly summarized, the purpose of the prospectus (Step 1) is to provide the opportunity for the institution proposing a contract to inform the Commission about the academic program it has to offer, to provide a clear justification of need through employer and student demand for the program, and to substantiate why the State and its residents would benefit by supporting the academic program contract at that institution. The prospectus should be prepared according to the prescribed format in the policies and procedures manual and should be submitted to the Postsecondary Education Planning Commission by February 15th. Commission staff review the prospectus and if need is sufficiently justified, the independent institution is notified to proceed with the submission of a complete proposal.

Upon notification from the Commission to proceed, the independent institution is instructed to prepare a complete proposal according to the prescribed format and submit the proposal to the Commission (Step 2). The purpose of the proposal is to provide the opportunity for the institution to demonstrate the quality of the program and the ability to increase program access to Florida residents in an effective and efficient manner. The complete proposal should be prepared according to prescribed format in the policies and procedures manual and should be submitted to the Commission by May 1st.

Upon receipt of the completed proposal, the Commission assesses the ability of the contract program to increase access to Florida residents and the quality of the proposed contract program by applying appropriate quality standards as established by the Commission, public and independent postsecondary institutions, and postsecondary licensing and governing boards. The Commission's review includes an analysis of the cost to the State to fund the contract program to determine whether the State's need for the program can be met at a lower cost through contracting. The Commission is assisted in the assessment of program quality by an expert consultant in the programmatic field from outside the State of Florida.

In the event that the Commission recommends the proposal for funding, the Department of Education includes the contract program in its legislative budget request as a separate, identifiable item, subject to approval by the State Board. The State Board considers and accepts or rejects each recommendation for a contract program as part of the budget review process. The Governor and the Legislature then review each funding request for contract programs as part of the budget process. If funding is provided by the Legislature, the Department of Education negotiates the contract with the independent college or university, and administers the contract in accordance with the terms of the agreement, and appropriate laws and rules. Each contract program administered by the Department of Education is subjected to annual and five-year review procedures by the Commission in cooperation with the Department of Education.

In accordance with statute and rule, the Commission conducts the detailed evaluation of each proposal for a contract submitted by an independent institution. The timetable for annual submission of proposals and staff review is as follows:

Timetable for Academic Program Contract Submission and Review

February 15th	Deadline for independent institution to submit prospectus to PEPC (Step 1)
April 1st	PEPC review and assessment of the prospectus are completed and the institution is notified whether to submit a complete proposal
May 1st	Deadline for institution to submit complete proposal to PEPC (Step 2)
May - August	PEPC review and assessment of complete proposal including an on-site visitation
September	Development of PEPC recommendation and inclusion in Department of Education budget request to the State Board of Education and Legislature
September - June	Review by the State Board of Education, the Governor and the Legislature
July - August	Negotiation of contracts by the Department of Education and initiation of funded programs

To date, 15 academic program contracts have been funded by the Legislature, of which 11 are in Southeast Florida. The Commission has received and recommended against funding over 20 additional proposals, primarily on the basis of lack of clearly demonstrated need. The proposals which were not recommended for funding are included in Table 3.

TABLE 3

ACADEMIC PROGRAM CONTRACT PROPOSALS NOT RECOMMENDED FOR FUNDING 1982-89

INSTITUTION	PROGRAM	DATE SUBMITTED/REJECTED
Jacksonville University	B.S. in Marine Science	(1) Received 1982 and Deferred (2) Received 4/84 Rejected 2/85 (3) Received 2/88 Rejected 6/88
Jacksonville University	B.A. in Foreign Language	(1) Received 1982 and Deferred (2) Received 5/85 Rejected 11/85
Nova University	Doctor in Business Administration	Received 1983 Withdrawn after Consultation
Barry University	B.S. in Nursing (accelerated option)	(1) Received and Rejected 1983 (2) Received 1987 Deferred 9/87 Recommended 6/88
University of Miami	M.S. in Public Health	Received 3/83 Deferred--Developed into Cooperative Program with FIU
Barry University	Ph.D. in Social Work	(1) Received 3/83 Rejected 8/83 (2) Resubmitted 1986 Deferred in 1/87 & Rejected 6/88
University of Miami	B.S./Mechanical Engineering (Computer-aided design)	Received 3/83 Rejected 10/83
Edward Waters College	Accelerated A.S. in Accounting & Computer Information Systems	Received 4/83 Withdrawn after Consultation
Nova University	Doctor of Psychology	Received 6/83 Withdrawn 11/85
University of Miami	B.A., M.A., Ph.D. in Music	Received 9/84 Rejected 3/85
University of Miami	Architecture	Received 9/84 Rejected 3/85
Florida Memorial College	B.S. in Airway Science	Received 4/86 Rejected 1/87
Nova University	M.S. in Speech and Language Pathology	Received 3/87 Deferred 9/87
University of Miami	B.S. in Mechanical Engineering (HVAC Systems Option)	Received 2/88 Rejected 6/88
Jacksonville University	B.S. in Aviation Management and Aviation Management/ Flight Operations	Received 2/88 Rejected 9/88
Florida Southern College	B.S. in Nursing	Received 3/89 Withdrawn 9/89
University of Tampa	B.S. in Nursing	Received 4/89 Rejected 8/89

Review of Existing Contracts

In addition to suggestions for changes in the policies and procedures used in establishing contract programs, the consultant for the 1989 study suggested changes in the reevaluation processes of existing contracts. The Commission recommended that:

> the annual on-site review of existing academic program contracts should be modified to permit contract programs which have successfully completed two annual visitations, and have provided accurate and appropriate annual monitoring reports to the Commission and Department of Education, to participate in a visitation by exception option. If an academic program administrator provides evidence that the contract is meeting acceptable minimum standards of quality, then an annual on-site visit is not needed. If the reports reveal deterioration in quality, the Commission should require an immediate visitation. Occasional ad hoc visits should also be conducted.
>
> As required in statute, a five-year comprehensive evaluation of each contract program, including an on-site visit, should continue to be conducted by the Department of Education and Commission with the use of an out-of-state consultant. Board of Regents staff should be invited to participate on those on-site reviews of existing academic program contracts which may be similar or duplicative of a program in the State University System.

Prior to the current year, each contract program was reviewed annually by Commission staff during on-site visits. In August 1989, the Commission approved the recommendation made in the 1989 report on contracts to permit the omission of an annual on-site visit where standards of quality had been consistently demonstrated. If an academic program administrator provides evidence that the contract is meeting acceptable standards of quality for two years, then future on-site visits would usually not be needed. If the written annual report reveals deterioration in quality, the Commission would again require a visit. Based on the annual review, the Commission develops a funding recommendation to the State Board of Education concerning the annual renewal of each contract. The annual report for each contract program includes the quality indicators required in the original contract proposal and additional indicators such as the ratio of students supported by the contract to the number of graduates produced to ensure students are completing the program in a timely manner. As a result of this change, only one contract program received an on-site visit in 1989. The medical technology program at Bethune-Cookman College monitoring report indicated a continued problem with low enrollment, thereby triggering a visit. Following the on-site visit, the Commission recommended that the academic program contract with Bethune-Cookman College not be funded after 1989-90.

In addition to the annual review of academic program contracts, each contract receives a comprehensive review five-years after its inception. As required in Section 240.147(4), Florida Statutes, a five-year comprehensive evaluation of each contract program, including an on-site visit, is conducted by the Department of Education and Commission with the assistance of an out-of-state consultant. The five-year reviews provide the mechanism to extensively reevaluate each academic contract to determine whether the program should continue to be recommended to the State Board of Education for legislative funding or whether postsecondary needs in the State or region have changed. The reevaluation addresses the need for continuing the contract and whether the funding level of the contract should be modified. An assessment of program quality is also made during the five-year review and compared to the quality assessment completed when the program was initially reviewed.

Following annual and five-year reviews, a number of funding level adjustments have been made as a result of increased student demand. Typically, a contract program is phased-in over a two-year period where a group of juniors is funded the first year, and then funding is doubled for the second year to support the original group in their senior year plus a new group of juniors. In addition to phase-in increases, the Commission recommended that the doctoral program in marine and atmospheric sciences at the University of Miami be increased from eight FTE in 1988-89 to 10.5 FTE in 1989-90 due to strong student and employer demand. The 1989 Legislature, however, funded the program for approximately seven FTE for 1989-90. The Commission has again recommended funding at 10.5 FTE for 1990-91.

The Commission has recommended a funding change based on reduced FTE for the radiologic technology program at Mt. Sinai Medical Center and the medical technology program at Bethune-Cookman College. Despite strong employer demand and state support for these programs, student demand has been insufficient to utilize available contract support. After student demand decreased from supporting nine students in 1985-86, to only one student supported by the medical technology contract in 1988-89, the Commission recommended that the academic program contract with Bethune-Cookman College not be funded after 1989-90.

Two academic program contracts in Southeast Florida have been recommended for reduced funding as a result of similar programs developed in the public sector. A five-year review of Barry University's master in social work contract program was conducted in May 1988 by the Department of Education in cooperation with the Postsecondary Education Planning Commission. Although the five-year review indicated that Barry University's MSW program was well managed and of high quality, the Commission recommended a reduction in funding because students can enroll in the public sector program at Florida International University where a direct service program option, sufficient space, and lower costs to the State are available. For 1988-89, the academic contract program was funded for 55 FTE; in consideration of the growing MSW program at Florida International University, the Commission recommended that funding be reduced to 50 FTE students in 1989-90 and to 35 FTE in 1990-91. The 1989 Legislature appropriated $244,160 for approximately 44 FTE for 1989-90. In August 1989, the Commission recommended that the MSW program at Barry University be supported at 35 FTE in 1990-91.

The Commission recommended a decrease in support for the bachelor of science degree in electrical (computer) engineering at the University of Miami over a two-year period and that the program not be funded after 1990-91. The Commission based this recommendation on the conclusion that it is not cost effective for the State to continue funding the contract in light of the programs and enrollment capacity now available at Florida International University and Florida Atlantic University.

Summary of Academic Program Contracts Funding History

Since authorized by the Legislature in 1975, the number of academic program contracts with independent colleges and universities has increased to 15 in 1989-90 to support approximately 500 FTE students in carefully selected academic programs. Eleven of the contracts are with the University of Miami, Barry University, or Mt. Sinai Medical Center providing increased geographic access to residents in Southeast Florida. Access to high demand fields is enhanced through contracts for engineering, health, and teacher education programs. Each of the 15 existing academic program contracts was described in the 1989 report **A Study of Academic Program Contracts with Independent Postsecondary Institutions**. Updated information on existing and approved contracts is available in August of each year in the Commission's report entitled **Annual and Five-Year Reviews of Academic Program Contracts with Independent Postsecondary Institutions**. When the Commission received authority in 1981 to recommend academic program contracts to the State Board of Education for funding, two contracts were already in existence. The bachelor of science in nursing program at the University of Miami had received funding in both 1979-80 and 1980-81 for $200,000. The master of social work program at Barry University was initiated in 1979-80 for $62,000 and was increased to $147,800 in 1980-81. A summary chart which depicts the funding history for each academic program contract since the Commission received authority in 1981 is contained in Table 4.

In addition to the 14 existing contracts funded in 1989-90 (does not include the medical technology program at Bethune-Cookman College), the Commission recommended two other proposals for funding in 1990-91. The first program is the bachelor of science in motion pictures program at the University of Miami. Based on film industry needs for a baccalaureate program in motion pictures in Southeast Florida and the fact that Florida International University and Florida Atlantic University do not plan to offer such a program through 1993, the Commission recommended that the contract be initiated in 1990-91 for 15 full-time equivalent (FTE) incoming juniors followed by a second class of juniors and seniors in 1991-92 at 30 FTE.

The second program recommended for initial funding in 1990-91 is the bachelor of science in accounting program at Florida Southern College. The proposed contract with Florida Southern College provides a mechanism to meet the need for accountants in Polk, Hardee and Highlands counties. The Commission recommended that the contract be initiated in 1990-91 for 20 FTE (15 students in the regular program and five in the evening program) followed by a second class in 1991-92 of 40 FTE (30 regular and 10 evening program students).

The Commission has recommended to the State Board of Education and the Legislature that a total of 16 academic programs (555.5 FTE) at independent institutions receive contract funding for 1990-91.

TABLE 4

ACADEMIC PROGRAM CONTRACTS FUNDING HISTORY
1981-82 to 1989-90

CONTRACT	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
FIT-BS & MS ENGINEERING	$124,000	$248,000	$316,948	$325,759	$325,759	$325,759	$511,796	$512,293	$506,777
FTE/Quarter credit hours					93.08/4468	93.46/4468	120/5760	120/5760	106.2/4739
FIT-SCIENCE EDUCATION			$35,568	$76,176	$76,176	$76,176	$115,354	$109,586	$109,586
FTE/Quarter credit hours					21.75/1044	21.75/1044	27/1296	27/1296	20.74/1011
UM-BS/ELECTRICAL (COMPUTER) ENGINEERING	$140,000	$270,000	$375,627	$386,069	$386,069	$386,069	$595,513	$613,184	$613,181
FTE/Credit hours					65.30/1961	65.30/1961	80/2400	80/2400	65.43/1963
UM-BS/INDUSTRIAL (MANUFACTURING) ENGINEERING			$97,000	$99,697	$99,697	$99,697	$220,530	$230,083	$229,914
FTE/Credit hours					16.86/506	16.87/506	30/900	30/900	30/737
UM-MS/BIOMEDICAL ENGINEERING				$40,680	$40,680	$40,680	$107,242	$113,478	$113,392
FTE/Credit hours					4.93/148	4.93/148	12/360	12/360	10.23/307
UM-BS/NURSING	$200,000	$200,000	$294,918	$323,604	$323,604	$323,604	$430,948	$460,673	$460,672
FTE/Credit hours					54.80/1644	54.80/1644	60/1800	60/1800	51.42/1542
UM-MS/NURSING					$350,400	$350,400	$357,469	$378,259	$378,252
FTE/Credit hours					40.30/1209	40.30/1209	40/1200	40/1200	34.07/1022
UM-PhD/BIOMEDICAL SCIENCES					$100,000	$150,000	$276,200	$457,596	$457,384
FTE/Credit hours					5.75/138	8.63/207	16/384	16/384	14.92/358
UM-PhD/MARINE & ATMOSPHERIC SCIENCES (Rosentiel School)					$150,000	$225,000	$323,691	$306,204	$305,461
FTE/Credit hours					3.95/95	5.96/143	8/192	8/192	6.96/167
UM-BS/ARCHIT. ENGINEERING									$93,720
FTE/Credit hours									10/300
BU-MSW/SOCIAL WORK	$204,019	$214,220	$206,648	$212,393	$212,393	$212,393	$234,120	$244,226	$244,160
FTE/Credit hours					52.67/1580	52.67/1580	55/1650	55/1650	43.96/1319
BU-BS/NURSING									$242,330
FTE/Credit hours									20/1100
MT. SINAI-RADIOLOGIC TECHNOLOGY				$95,000	$95,000	$95,000	$95,000	$90,250	$78,960
FTE/Credit hours						40/1200	40/1200	40/1200	44/1315
BCC-MEDICAL TECHNOLOGY						$40,000	$40,066	$40,066	$28,940
FTE/Credit hours						20/680	20/680	20/680	8/272
FSC-BS/BA ELEM/EARLY CHILDHOOD EDUCATION									$88,164
FTE/Credit hours									40/1200
TOTAL	$668,019	$932,220	$1,326,709	$1,559,378	$2,239,778	$2,324,778	$3,307,929	$3,555,898	$3,950,893

Legislature-Initiated Education Projects

Legislature-initiated education projects, in contrast to the academic program contracts which are intended to increase access to selected academic programs, focus primarily on special instructional programs, student services, or special research and development interests of the State. They differ from academic program contracts in their focus, funding, initiation process, and review procedures.

Initial Funding and Review Processes

Although the Commission has been charged in statute with recommending academic program contracts with independent institutions, some projects at independent institutions which have received state funding in recent years have not been reviewed by the Commission or recommended to the Legislature for funding through the processes established by the State Board of Education and the Commission. As presented in the Commission's 1989 report entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions**, the second type of education contract is depicted b projects for which funds are directly appropriated by the Legislature without a formal state-level review prior to funding to determine need or quality. Once funds are appropriated by the Legislature to support these contracts, they have generally been placed within the budget of the Board of Regents or the Department of Education.

State funding for projects of this type is not usually based on a tuition differential or cost per credit hour as with the academic program contracts recommended by the Commission (with the exception of a portion of the funding for the Nova University project). Instead, funding is based on a budget submitted by the institution to support salaries, equipment, supplies, travel, scholarships or general administrative costs of the given project. The institution receives the appropriated state funds by means of contracting with the Board of Regents or Department of Education.

Annual year-end fiscal reports, and institutional plans for the following year are required by the state agency, but the state office does not conduct a program review of need or quality. The State has contractual authority to terminate the contract if it determines nonperformance or inadequate performance of activities; however, as previously stated, no standards for programmatic performance are established. Performance is monitored through the review of year-end and fiscal reports for the Board of Regents and through year-end, fiscal, and mid-year progress reports for the Department of Education. However, by appropriating funds without the demonstration of need and quality, no measurement standards are established upon which to determine any benefit to the State. In other words there are no agreed-upon goals, the accomplishment of which would demonstrate compliance with a contract. Therefore, monitoring is primarily limited to ensuring the proper release of state funds and compliance with any appropriation proviso stipulations; efficiency and effectiveness are not components of the monitoring.

Summary of the History of Legislature-Initiated Education Projects

The 1989 Legislature appropriated $7,230,366 for 13 student services and research and development project contracts. Two of these contracts, the

Southeastern College of Osteopathic Medicine (SECOM) and the Southeastern College of Pharmacy (SECOP), were created by the Legislature without Commission review; however, each now receives an annual review by the Commission (SECOM since 1985 and SECOP since 1988). Table 5 lists the eleven 1989-90 projects funded by the Legislature which have not been formally required to demonstrate need or quality for either initial funding or for annual renewal.

The five projects administered by the Board of Regents focus on health education by providing instructional services to address areas of the State where residents are medically underserved and by providing research and instructional funds to meet specific medical interests of the State.

The six projects administered by the Department of Education focus on a variety of educational concerns. The programs at the University of Miami, Edward Waters College, and Bethune-Cookman College focus on enhancing the educational opportunities for minority students. The Technical Research and Development Authority coordinates and distributes funds for research in space science technology.

Each of the 11 projects listed in Table 5 is described in the Commission's 1989 report entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions** with the exception of the project at Nova University. The 1989 Florida Legislature funded a project with Nova University for $1,309,566 for the 1989-90 academic year. This project had initially received state funding in 1987-88 for $980,000, but in 1988-89, its appropriation was vetoed by the Governor. The appropriation proviso language designates the state funds for two purposes: student financial assistance and renovation and equipping laboratories.

From the total appropriation, proviso designated $784,551 for "renovation and equipping seven laboratories." The Department of Education is contracting with Nova University to renovate and equip the seven laboratories to "properly house the educational services and activities of Nova's unique Liberal Studies Program." The contract will include provision for Nova to submit invoices to the state contract administrator of actual cost incurred with no indirect costs implied.

The remainder of the appropriated funds, $525,015, was designated in proviso with the contemplation of "the existence of an academic program contract with the Department of Education." Although the term academic program contract has traditionally referred to those programs which were recommended for funding by the Commission following the subjection of an institutional proposal to a rigorous review process, the fund disbursement for this legislature-initiated contract is being administered in a similar manner without Commission review. Resident students (150 FTE/4500 SCH) in the undergraduate Liberal Studies program will pay public institution tuition rates and the State will pay the difference between the public rate and Nova University's tuition rate.

Although originated by direct legislative appropriations, two projects now receive an annual review by the Commission. The Southeastern College of Osteopathic Medicine, originally funded in 1981-82, has been reviewed by the Commission each year since 1985, and the Board of Regents is charged with

TABLE 5

STATE-SUPPORTED PROJECTS AT INDEPENDENT POSTSECONDARY INSTITUTIONS IN FLORIDA 1989-1990

NAME OF PROJECT AND YEAR FIRST AUTHORIZED	PRIMARY FOCUS	1989 APPROPRIATION
A. **Board of Regents Projects**		
1. SECOM Public Sector Urban, Rural and Unmet Needs Program (1985)	Instructional	$ 105,000
2. University of Miami Spinal Cord Research (1987)	Research and Development	250,000
3. University of Miami Medical Training Simulation Lab (1987)	Research and Development	750,000 100,000 **
4. University of Miami Epidemiology Program (1988)	Instructional, Research and Development	500,000
5. University of Miami Geriatric Education (1988)	Instructional	500,000
B. **Department of Education Projects**		
1. University of Miami Minority Students Health Careers Motivation Program (1984)	Instructional	200,000
2. Edward Waters College Test-Taking Skills and Proficiencies of Students Program (Upgrade) (1985)	Instructional	250,000
3. Bethune-Cookman College Challenger Program (1986)	Instructional	300,000
4. Bethune-Cookman College Teacher Education Institute (1986)	Instructional	300,000
5. Technical Research and Development Authority (1988) *	Research and Development	615,800 **
6. Nova University Undergraduate Program (1989) ***	Instructional and Facilities	1,309,566
	TOTAL	**$5,180,366**

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*
** TRDA is an independent agency housed at FIT.
Educational Enhancement Trust Funds.

*** Nova University Undergraduate Program was first funded in 1987, but funding in 1988 was vetoed by the Governor.

making the budget request to support the project. According to legislative proviso, funds for SECOM are allocated directly to the institution without the involvement of Board of Regents. In addition, the 1988 Appropriations Act directed the Commission to review the Southeastern College of Pharmacy (SECOP) prior to the submission of a budget request by the Board of Regents.

In addition to the education projects initially funded by the legislature during the 1980s, the University of Miami has received state funds for the First Accredited Medical School since the 1950-52 biennial budget. The annual allocation for the operation and maintenance of the medical school and for medical research is based on Section 242.62, Florida Statutes. This project, authorized in statute, is described in the 1989 Commission's report.

Table 6 provides information on the history of appropriations for legislature-initiated education projects and the First Accredited Medical School at the University of Miami.

TABLE 6

APPROPRIATIONS FOR STATE-SUPPORTED PROJECTS AT INDEPENDENT POSTSECONDARY INSTITUTIONS WITHIN EDUCATION BUDGET ENTITIES INITIATED BY THE LEGISLATURE

STATE-SUPPORTED PROJECTS	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
SECOM PUBLIC SECTOR URBAN, RURAL AND UNMET NEEDS				$70,000	$105,000	$105,000	$105,000	$105,000
UM-SPINAL CORD RESEARCH						$250,000	$250,000	$250,000
UM-MEDICAL TRAINING SIMULATION LAB						$650,000	$750,000	$750,000 $100,000**
UM-EPIDEMIOLOGY PROGRAM							$500,000	$500,000
UM-GERIATRIC EDUCATION							$500,000	$500,000
UM-MEDICAL SCHOOL MINORITY MOTIVATION PROGRAM				$100,000	$100,000	$100,000	$200,000	$200,000
EDWARD WATERS UPGRADE PROGRAM				$125,000	$250,000	$250,000	$250,000	$250,000
BETHUNE-COOKMAN CHALLENGER PROGRAM					$250,000	$250,000	$250,000	$300,000
BETHUNE-COOKMAN COLLEGE OF EDUCATION					$250,000	$250,000	$250,000	$300,000
TECHNINCAL RESEARCH AND DEVELOPMENT AUTHORITY							$31,200	$615,800**
NOVA UNIVERSITY						$980,000		$1,309,566
SUBTOTAL				**$295,000**	**$955,000**	**$2,835,000**	**$3,086,200**	**$5,180,366**
*SECOM (1981)	$200,000	$400,000	$800,000	$1,080,000	$1,208,000	$1,483,000	$1,788,000	$1,600,000
*SECOP						$75,000	$252,000	$450,000
SUBTOTAL	**$200,000**	**$400,000**	**$800,000**	**$1,080,000**	**$1,208,000**	**$1,558,000**	**$2,040,000**	**$2,050,000**
UM-FIRST ACCREDITED MEDICAL SCHOOL (1951)	$8,364,080	$8,410,726	$9,268,084	$9,629,539	$9,966,573	$10,548,623	$11,176,000	$11,645,392

* SECOM and SECOP were created by the Legislature without review or recommendation by the Commission or State Board of Education; however, as directed by the Legislature, each now receives an annual review by the Commission (SECOM since 1985 and SECOP since 1988).

**Educational Enhancement Trust Funds.

IV. INDIRECT FUNDING MECHANISMS FOR INDEPENDENT INSTITUTIONS IN FLORIDA

The 1982 **Master Plan for Florida Postsecondary Education** recognized the presence of independent education as crucial to the maintenance of diversity and choice in postsecondary education. The **Master Plan** stated that the contribution of the independent sector to the overall provision of postsecondary education in the State is being threatened by economic and demographic trends which are perceived as limiting student access, and as likely to increase in the future. In addition to threatening to reduce diversity and choice in postsecondary education, such trends would lead to increased student demand on limited state resources in the public sector. The **Master Plan** stated, "the State has spent fewer dollars on financial aid for students in independent colleges ... than it would have provided to public colleges to educate the additional numbers of students." Therefore, the **Master Plan** supported the award of state financial resources to encourage students to attend independent institutions as a means of indirectly supporting the independent sector. The **Master Plan** perceived that the provision of indirect funding mechanisms would benefit the independent institutions by encouraging student participation, would benefit the state's residents by promoting choice, and would benefit the State by encouraging the postsecondary education of residents in an economic manner.

In the first supplement to the **Master Plan** which was published in March 1983, **State Student Financial Aid Policy**, the Commission reemphasized one of the principles contained in the **Master Plan**:

> The State should continue to provide both need-based and non-need-based financial aid to students at independent institutions in order to further state goals of access and choice. Decisions affecting funding levels for such financial aid programs should be related to state tuition policy.

In response to financial aid policy developments in the 1980s by the federal government, which had been the primary provider of financial aid, and to the economic and demographic trends perceived as limiting student access and choice to postsecondary education, the Commission recommended some changes in the 1970 legislation which established the student financial aid policy. Section 240.437(2), Florida Statutes, was amended in 1983 to establish the basis for the State's current financial aid program:

> The objective of a state program is the maintenance of a state student financial aid program to supplement a basic national program which will provide equal access to postsecondary education to citizens of this State who have the ability and motivation to benefit from a postsecondary education. In the development of a state program to achieve this objective, it shall be the policy that:
>
> (a) State student financial aid be provided primarily on the basis of financial need;
>
> (b) Students receiving need-based financial aid be expected to contribute toward their cost of education through self-help resources such as savings, work, and loans;

(c) Student financial aid be available to state residents for attendance at accredited public or private institutions of higher education in this state;

(d) Student financial aid be provided for all levels of postsecondary education; and

(e) State student financial aid be administered by a central state agency.

Section 240.437(2)(f), Florida Statutes, which addresses the student financial aid planning and development was further amended to require students in associate in arts and baccalaureate degree programs who receive state aid to participate in the College-Level Communication and Computation Skills Testing (CLAST) program:

> Effective August 1, 1985, students enrolled in associate in arts degree programs and bachelor's degree programs in independent institutions in this state who receive state aid pursuant to s. 240.402, s. 240.4062, s. 240.4068, s. 240.408, s. 240.4095, s. 240.4097, s. 240.412, s. 240.60, or s. 240.605 participate in the college-level communication and computation skills testing program provided in s. 229.551. The department and the eligible institutions shall negotiate an agreement that will assure that the test is available to students either directly through the independent institutions or on a contractual basis with a state community college or university. Before August 1, 1985, all independent institutions subject to this provision shall have an opportunity to participate in preliminary testing activities similar to those afforded the public institutions before the initiation of formal testing; and the independent sector shall be afforded appropriate representation on all committees and commissions charged with responsibilities for developing, administering, and evaluating the tests. (Section 240.437(2)(f), Florida Statutes)

Section 240.404, Florida Statutes, sets the general requirements for student eligibility for receiving state funds. The general requirements include acceptance at a state university or community college; a nursing diploma school approved by the Florida Board of Nursing; a Florida college, university or community college which is accredited by a member of the Council on Postsecondary Accreditation; or any Florida institution, the credits of which are acceptable for transfer to state universities. The requirements also include participation in the College-Level Communication and Computation Skills Testing (CLAST) program and compliance with Selective Service System registration. In addition, residency in Florida for no less than one year preceding the award of aid is required. Eligibility for the renewal of awards requires students to earn a minimum cumulative grade point average of 2.0 on a 4.0 scale, and to earn 12 credits per term (or the equivalent for full-time study) during the time when aid is received. Undergraduate students are eligible to receive state funds for a maximum of eight semesters or 12 quarters, unless enrolled in a five-year undergraduate degree program (10 semesters or 15 quarters).

In the 1988 **Master Plan Update**, the Commission noted that awards for the majority of financial aid programs established since 1981 were not based on need. The Commission reiterated its position that "the primary purpose of financial aid is to assure access for all students who can benefit from a postsecondary education." The Commission recommended that the Legislature continue to support phased increases to the need-based Florida Student Assistance Grant Program to address the needs of eligible applicants. To address the State's goal to ensure student choice from a diverse range of higher education options, the Commission stated that "the Tuition Voucher Program should be the State's primary mechanism for supporting a strong independent postsecondary presence in Florida."

The various financial assistance programs available to students attending independent institutions in Florida and the Florida Tuition Voucher Program are described in the following sections. Table 7, which summarizes the level of State funding and the number of awards made, follows the program descriptions.

Florida Financial Assistance Programs for Students Attending Independent Institutions

Financial assistance is typically awarded for need, merit, or as a means to attract students to the public school teaching or high technology fields. Some programs provide grants based on financial need, some provide scholarships, and some provide loans which can be forgiven under certain conditions such as years of service working in a high-demand field. The state financial assistance programs available to resident students attending independent institutions in Florida are described below.

1. Florida Undergraduate Scholars' Fund (FUSF)

Section 240.402, F.S.; SBER 6A-20.008 (1980)

The Florida Undergraduate Scholars' Fund is devoted to assisting high school seniors with outstanding academic achievement records (as demonstrated by National Merit Scholarship Corporation recognition as a scholar or finalist; or by obtaining a 3.5 unweighted grade point average on a 4.0 scale, or its equivalent, in high school subjects acceptable for credit toward a diploma and by scoring 1200 or above on the combined verbal and quantitative parts of the Scholastic Aptitude Test or an equivalent score on the American College Testing Program). Recipients must attend an eligible Florida institution on a full-time basis. Students, who are eligible if they meet the general requirements of Section 240.404, Florida Statutes, may receive $2,500 per academic year. However, recipients who obtain less than a 3.5 unweighted GPA on a 4.0 scale and who enroll in honors and advanced placement courses and receive at least a 3.2 GPA, may receive awards of $1,000 if attending an institution with annual tuition and registration fees of $2,000 or less, or $1,500 if attending an institution with tuition and fees of more than $2,000.

The Legislature appropriated $16,195,000 for the Florida Undergraduate Scholars' Fund for 1989-90. If the amount of the appropriation is insufficient to provide full payment to each eligible scholar, awards will be prorated among the eligible students. New awards are distributed by giving the highest priority to eligible renewal applicants and second priority to students whose applications are received by April 1 of each year. Students are eligible for the award for a maximum of eight semesters or 12 quarters unless enrolled in a five-year undergraduate program. Students must enroll in at least 24 semester hours of credit annually and maintain at least a 3.2 cumulative GPA. The award of this assistance is determined by merit and not by need.

2. **Florida Private Student Assistance Grant (FSAG)**
Section 240.4095, F.S. (for independent institutions) and Section 240.2099, F.S. (for postsecondary institutions); SBER 4A-20.009 (1972)

The Florida Private Student Assistance Grant is devoted to assisting full-time undergraduate students, attending eligible Florida independent institutions, with unmet financial need of at least $200 who meet the general eligibility requirements as provided in Section 240.404, Florida Statutes. Students with demonstrated need are eligible to receive the amount of demonstrated unmet need for tuition and fees for a maximum of $1,500 per academic year. However, the 1989 Legislature set the maximum award at $1300 in the General Appropriations Act. The award is limited to nine semesters or 14 quarters of study for a period of not more than six consecutive years. A student applying for FSAG is required to apply for a federally-funded Pell Grant. The Pell Grant entitlement and student contribution to educational costs are considered when assessing the financial resources available to each student. Priority in the distribution of funds is given to students with the lowest total family resources.

Prior to 1989, Section 240.409, Florida Statutes, required that no more than 50 percent of the FSAG funds could be expended to students attending public postsecondary institutions. Although need was being met in the independent sector, not all students with need in the public sector were being served. This discrepancy resulted in part from the difference in numbers of students in each sector (20 percent of Florida resident students attend independent institutions, 80 percent attend public institutions). Thus, the 1989 Legislature amended the statute to provide for separate financial aid programs for each sector: the public, independent, and postsecondary (private nursing diploma schools approved by the Florida Board of Nursing and institutions licensed by the State Board of Independent Colleges and Universities). The 1989 Legislature appropriated $7,064,695 for the Florida Private Student Assistance Grant program for students attending independent (and postsecondary) institutions as a separate allocation for 1989-90 ($14,491,185 was appropriated for students attending public institutions).

3. **College Career Work Experience Program (CCWEP)**
Section 240.60 and 240.601, F.S.; SBER 6A-20.016 (1982)

The College Career Work Experience Program is a need-based program providing off-campus employment (or up to 25 percent of an institution's fund for on-campus employment) for students in jobs which are related to their declared major area of study or career interest. The Legislature appropriated $841,503 for the College Career Work Experience Program for 1989-90. The amount of an award varies according to the financial need of the student. The employer furnishes 50 percent of the student's wages and the full cost of any mandatory benefits. Undergraduate students with demonstrated need are eligible if they meet the general requirements as provided in Section 240.404, Florida Statutes, and are enrolled at least half-time at an eligible Florida institution. Students may remain employed during the break between two consecutive terms and during the summer if intending to continue their education.

4. Critical Teacher Shortage Trust Fund

Section 240.4065 (1984)

The Critical Teacher Shortage Trust Fund was created to hold funds for a number of financial aid programs which were designed to encourage students to become certified to teach in state-designated shortage areas including the Critical Teacher Shortage Student Loan Forgiveness Program, Teacher Scholarship Loan Program, and Critical Teacher Shortage Tuition Reimbursement Program. The Legislature appropriated $3,412,659 from the General Revenue Fund and $3,612,659 from the Critical Teacher Shortage Trust Fund for these programs for 1989-90 ($7,025,318 total). In addition, funds for the "Chappie" James Most Promising Teacher Scholarship Loan Program are administered through the Critical Teacher Shortage Trust Fund. Loan repayments are deposited in the fund. Any balance at the end of the fiscal year remains in the fund and is available for the critical teacher shortage programs in future years. Students may participate in only one of the four programs funded through the Critical Teacher Shortage Trust Fund.

Critical Teacher Shortage Student Loan Forgiveness Program

Section 231.621, F.S.; SBER 6A-20.013 (1983)

The Critical Teacher Shortage Student Loan Forgiveness Program was created to attract qualified personnel to seek employment in Florida public schools in state-designated critical teacher shortage areas. Certified Florida public school teachers teaching for the first time in a critical teacher shortage area are eligible for repayment of educational loans in return for teaching service. Educational loans may be forgiven up to $2,500 per year for four years for teachers with undergraduate degrees, or $5,000 per year for up to two years for teachers with graduate degrees.

Critical Teacher Scholarship Loan Program

Section 240.4062, F.S.; SBER 6A-20.010 (1983)

The Teacher Scholarship Loan Program is devoted to attracting capable students to the teaching profession in areas of critical teacher shortage. Full-time students, enrolled in upper-level coursework or graduate study at an approved teacher education program leading to certification in state-designated critical teacher shortage areas, are eligible for a maximum of $4,000 per academic year for a maximum of two years. The loan is repaid by four years of teaching service (or two years in a high-density, low-economic urban school or at a low-density, low-economic rural school), or financial reimbursement within 10 years of program completion. To be eligible, undergraduate students must maintain a minimal cumulative 2.0 GPA and graduate students, a 3.0 GPA for 18 semester credits annually.

Critical Teacher Shortage Tuition Reimbursement Program

Section 240.4064, F.S.; SBER 6A-20.012 (1983)

The Critical Teacher Shortage Tuition Reimbursement Program was created to encourage Florida teachers to become certified in, or to gain a graduate degree in a state-designated critical teacher shortage area. Teachers certified to teach in Florida and currently teaching full-time in the Florida public school system, who complete courses with a 3.0 or better GPA are eligible to receive reimbursement up to $78 per credit hour for up to nine credit hours per academic year, for up to a total of 36 credit hours.

"Chappie" James Most Promising Teacher Scholarship Loan Program

Section 240.4068, F.S.; SBER 6A-20.011 (1985)

The "Chappie" James Most Promising Teacher Scholarship Loan Program awards a full four-year scholarship loan to a top graduating senior from each public secondary school in the State to attend a Florida college or university. Students must meet general eligibility requirements as provided in Section 240.404, Florida Statutes, must rank within the top quartile of their senior class (hold at least a 2.5 cumulative grade point average), and must agree to enter the public teaching profession in Florida for a minimum number of years, at least equal to the number years for which support was received or make financial reimbursement. At least 15 percent of scholarships are awarded to eligible minority nominees. Eligible students may receive up to $4,000 per academic year. Three candidates from each public secondary school in the State are nominated by the principal and a committee of teachers based on criteria such as rank in class, standardized test scores, cumulative grade point average, extracurricular activities, letters of recommendation, and an essay and declaration of intention to teach in a public school in the state. From the nominees, the Commissioner of Education selects a graduating senior from each high school with priority given to candidates who plan to teach in critical teacher shortage areas or who show the potential to serve as exemplary role models within traditionally-underrepresented teacher population.

Students must enroll full-time at an eligible Florida college or university (24 semester credit hours annually), and maintain at least a 3.0 cumulative GPA. The amount of the loan award is based on the cost of education less other aid received, and is limited to four years of study. The Legislature appropriated $2,576,000 from the General Revenue Fund and $2,676,000 from the Critical Teacher Shortage Fund ($5,252,000 total) for the "Chappie" James Most Promising Teacher Scholarship Loan Program for 1989-90.

5. **Masters' Fellowship Loan Program For Teachers**
Section 240.4066, F.S.; 6A-20.015 (1985)

The Masters' Fellowship Loan Program was created to attract liberal arts graduates, science graduates and midcareer returning students to teaching in Florida public schools. Applicants are required to have at least a 3.0 undergraduate GPA in their major subject area of study and a 1000 GRE score, and to meet the general eligibility requirements as provided in Section 240.404, Florida Statutes. Students who are admitted to an approved masters' program for teachers at a participating Florida institution are eligible. The loan is for $6,000 in addition to tuition and fees for up to two semesters or three quarters and one summer term, and is repaid by three years of teaching service or financial reimbursement.

6. **Public School Work Experience Program**
Section 240.604, F.S. (1984)

The Public School Work Experience Program provides funds for students to work in the public elementary or secondary schools, developmental research schools, or the Florida School for the Deaf and the Blind as science laboratory assistants or teacher aides; or in the public postsecondary schools as mentors who tutor and counsel educationally disadvantaged freshmen. Participants must be enrolled in an eligible Florida institution at least half-time, and may be employed during the break between semesters and during the summer if intending to continue their education. Participants must meet the general eligibility requirements as provided in Section 240.404, Florida Statutes; and are required to have earned at least 15 semester hours of coursework and at least a 2.5 cumulative grade point average. The Legislature appropriated $257,547 for the Public School Work Experience Program for 1989-90.

7. **Florida Graduate Scholars' Fund**
Section 240.4025, F.S.; SBER 6A-20.014 (1985)

The Florida Graduate Scholars' Fund provides scholarships for graduate study in areas of high technology and industry for $10,000 per academic year for a maximum of four semesters or six quarters. The Legislature appropriated $860,000 for the Florida Graduate Scholars' Fund for 1989-90. Full-time graduate students in engineering, information technology, biomedical technology or sciences, materials sciences, or other areas as identified by the Florida High Technology and Industry Council are eligible if they meet the general eligibility requirements as provided in Section 240.404, Florida Statutes. Initial eligibility requires a 3.5 cumulative GPA during the past two years of study, plus at least a 1200 GRE score or the receipt of a Florida Undergraduate Scholars' Fund Scholarship for the duration of undergraduate enrollment; and to remain eligible, students must maintain a 3.2 GPA. Florida residents have the highest priority in the distribution of new awards. Awards are distributed giving priority to renewal applicants. New applications received by April 1 are ranked according to residency, the combined verbal and quantitative GRE scores, grade point average and then postmark.

8. **Jose Marti Scholarship Challenge Grant Fund**
Section 240.412, F.S.; 6A-20.023 (1986)

The Jose Marti Scholarship is a need-based scholarship for Hispanic Americans for $2,000 per academic year for a maximum of eight semesters or 12 quarters for undergraduate study, or a maximum of four semesters or six quarters for graduate study. The Legislature appropriated $300,000 for the Jose Marti Scholarship program for 1989-90. State funds are contingent upon matching contributions from private sources. By the end of November 1989, $75,000 had been raised to match state funds which provided for the award of 15 scholarships (6 in the independent sector). It is anticipated that additional matching funds will be raised during Spring 1990. Although the Jose Marti Scholarship has been funded by the Legislature since 1986, the first awards were made in 1989 because the required matching funds had previously not been raised by private contributions. Students who are Hispanic-American or of Spanish culture with origins in Mexico, South America, Central America or the Caribbean are eligible when enrolled as full-time undergraduates or graduate students at an eligible institution. To be eligible, students must be U.S. citizens or permanent residents, and meet the general eligibility requirements provided in Section 240.404, Florida Statutes. Students need to have a 3.0 cumulative GPA to qualify and to maintain qualification.

9. **Seminole/Miccosukee Indian Scholarship**
Section 240.413, F.S.; SBER 6A-20.020 (1963)

Florida Seminole and Miccosukee Indians enrolled as full-time or part-time undergraduate or graduate students at an eligible Florida institution are eligible for scholarships; the amount of need and award is determined by the respective tribe. To be eligible students need to meet the general eligibility requirements provided in Section 240.404, Florida Statutes, and need to be recommended by the Seminole Tribe of Florida or the Miccosukee Tribe of Indians of Florida.

The Legislature appropriated $67,928 from the General Revenue Fund and $82,944 from the Seminole/Miccosukee Trust Fund for the Seminole/Miccosukee Indian Scholarship for 1989-90.

Florida Tuition Voucher Program

In 1979, the Legislature recognized the growing gap between tuition levels at public and independent institutions in Florida and the negative impact of the differential on student choice. Legislators also recognized that some students, who might otherwise have attended an independent college but were unable to afford the higher tuition in the independent sector, were attending publicly-supported universities and community colleges, thereby increasing costs for the State. Consequently, the Tuition Voucher Program was created to reduce the tuition difference and to increase the choices available to undergraduate students (Section 240.605, Florida Statutes). Tuition vouchers were designed to encourage participation in the independent sector and not as a form of financial aid; therefore, the demonstration of financial need has not been required.

The Florida Tuition Voucher Program is the largest single state appropriation for postsecondary education which is exclusively devoted to the State's independent sector. The Legislature appropriated $16,672,650 for the Florida Tuition Voucher Program in 1988-89 and the same amount in 1989-90 (approximately $16 million for 1987-88). As noted above, the maximum amount available annually to an eligible student through a tuition voucher was initially set at $750 in 1979-80; the maximum rose to $835 in 1984-85, to $876 in 1985-86, to $1000 in 1986-87, to $1100 in 1987-88, and to $1150 in 1988-89. The 1989 Legislature amended Section 240.605(5)(a), Florida Statues, to authorize a range for the annual maximum tuition voucher award between $1150 and $2000, or as specified in the General Appropriations Act, for a full-time student. The 1989 General Appropriations Act set the maximum award at $1150.

Full-time undergraduate students are eligible for tuition vouchers if they meet the general requirements for student eligibility as provided in Section 240.404, Florida Statutes, and are attending a qualified independent, nonprofit Florida college or university accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. Students are not required to demonstrate financial need, and therefore are not required to complete financial disclosure forms. Students who receive tuition vouchers may receive other state student financial assistance if they meet the eligibility requirements of the specific programs. However, students participating in an academic program contract are not eligible for the tuition voucher. If the combined amount of the tuition voucher and all other scholarships and grants for tuition or fees exceeds the amount charged to the student for tuition and fees, the value of the voucher will be reduced by an amount equal to the excess. Payment is made to the college or university in which the student is enrolled for credit to the student's account for payment of tuition and fees. Tuition voucher awards are limited to a maximum of nine semesters or 14 quarters.

Summary

The programs that have been established to provide state funds to students attending independent institutions of higher education in Florida help to reach state goals of access and choice in a cost-effective manner. The State, students, and independent institutions receive economic benefits from these programs and the presence of a diverse system of higher education is promoted.

TABLE 7

STATE FUNDING FOR INDEPENDENT POSTSECONDARY EDUCATION
INDIRECT FUNDING MECHANISMS FOR INDEPENDENT INSTITUTIONS
IN FLORIDA: 1987-88 and 1988-89

PROGRAM AND YEAR INITIATED	1987-88 FUNDING INDEPENDENT (ALL) INSTITUTIONS	1987-88 # STUDENTS INDEPENDENT (ALL) INSTITUTIONS	1988-89 FUNDING INDEPENDENT (ALL) INSTITUTIONS	1988-89 # STUDENTS INDEPENDENT (ALL) INSTITUTIONS
1. Florida Undergraduate Scholars' Fund (1980)	$1,212,750 ($3,834,750)	837 (3,578)	$2,284,091 ($11,151,424)	974 (5,052)
2. Florida Student Assistance Grant (FSAG) (1972)	$7,007,456 ($14,349,256)	6,108 (15,648)	$7,328,798 ($18,695,824)	6,195 (19,614)
3. College Career Work Experience Program (1982)	$37,127 ($760,363)	50 (629)	$25,987 ($766,938)	39 (551)
4. Critical Teacher Shortage Trust Fund (1984)				
a. Critical Teacher Shortage Student Loan Forgiveness Program (1983)	Not Appropriate * ($377,384)	(157)	Not Appropriate * (Currently Not Available)	(Currently Not Available)
b. Critical Teacher Scholarship Loan Program (1983)	$226,925 (1,645,598)	61 (449)	$316,380 ($2,306,726)	85 (622)
c. Critical Teacher Shortage Tuition Reimbursement Program (1983)	Not Appropriate * ($328,503)	(1020)	Not Appropriate * (Currently Not Available)	(Currently Not Available)
d. "Chappie" James Most Promising Teacher Scholarship Loan Program	$330,365 ($1,595,569)	87 (446)	$360,517 ($2,055,688)	94 (558)
5. Masters' Fellowship Loan Program for Teachers (1985)	$11,688 ($150,934)	1 (17)	$24,182 ($231,356)	2 (27-To Date)
6. Public School Work Experience Program (1984)	$1,562 ($191,068)	1 (143)	$9,306 ($188,910)	8 (131)
7. Florida Graduate Scholars' Fund (1985)	$80,000 ($450,000)	8 (51)	$65,000 ($705,000)	7 (73)
8. Jose Marti Scholarship Challenge Grant Fund (1963)	None **	-	None **	-
9. Seminole/Miccosukee Indian Scholarship (1963)	$29,973 ($72,122)	3 (17)	$28,329 ($60,731)	3 (16)
10. Florida Tuition Voucher Program (1979)	$14,921,130 (Only Indep. Insti.)	14,083 (Only Indep. Institutions)	$16,670,921 (Only Indep. Insti.)	15,174 (Only Indep. Institutions)

* Reimbursement made to individual not to institutions
** No matching funds

Source: Department of Education, Office of Student Financial Assistance

V. ISSUES AND RECOMMENDATIONS

The Commission's study of state funding for independent higher education provides a policy review and status report on two separate types of funding mechanisms: direct and indirect. Issues and recommendations relating to each type of funding are addressed within the following sections. The final section addresses state oversight of funding and whether funding is fulfulling the intended role to help preserve the dual system of higher education in Florida.

Direct Funding Mechanisms for Independent Institutions in Florida

The 1989 Legislature directed the Commission to conduct an analysis of academic program contracts, student services funding, and research funding, including an analysis of the role of the Commission in each type of funding. The study of these direct funding mechanisms included an analysis of their effectiveness, and of the policies and procedures used in establishing and monitoring each funding mechanism.

Academic Program Contracts

Academic program contracting involves agreements between the State of Florida and independent colleges and universities which enable Florida resident students to participate at state tuition rates in selected academic programs, thereby increasing access. As authorized in Sections 229.053(2)(o) and 240.147(4), Florida Statutes, this type of contracting requires the submission of a proposal to the Commission for review and recommendation to the State Board of Education and Legislature. A positive Commission recommendation is contingent upon the independent institution demonstrating that the proposed program meets unfulfilled state needs and that the program is of at least equal quality as similar programs in state institutions. Through this approach, the 1989 Legislature appropriated $3,950,893 for 15 academic program contracts with independent institutions.

The contracting approach is responsive to specific state academic needs. For example, there are five existing contracts responding to needs in the engineering field and three in nursing. The State can adjust contract funding as the needs change (e.g., the medical technology contract with Bethune-Cookman College), or as the public sector increases the availability of programs (e.g., the electrical engineering contract with the University of Miami). An efficiency of funding factor is built into the contracting approach whereby independent institutions receive state support for only the actual number of credit hours completed. No state funds are expended for student credit hours not completed.

To date, the identification of the academic program for most contracts has been initiated by the independent institution. However, several exceptions to this practice were identified in the 1989 study on academic program contracting. One such exception followed the Commission's 1982 **Joint Programs Feasibility Study**, in which the need for additional postsecondary opportunities in the Lakeland area resulted in the Commission recommending that the contracting option be explored with Florida Southern College. In 1987, the Commission's study of the **Postsecondary Education Needs of the Film**

Industry in Florida led to the initiation of a contract proposal from the University of Miami for a baccalaureate program in film production.

In the 1989 report, the Commission recommended that the alternative paths for program identification be continued (through special studies by the Commission or directly by the institution). The Commission recognizes that special postsecondary education needs may also be identified through other means such as legislative or executive branch staff and studies by other education and government entities. Once program needs are identified by a source external to the Commission, a request for proposals process could be initiated by the Commission, after which established policies and procedures for the review of academic program contract proposals could be followed.

The policies and procedures used in establishing and monitoring academic program contracts received analysis in the 1989 study on academic program contracts. For the 1989 study, the Commission contracted with an external consultant with expertise in conducting needs assessments and program reviews. The consultant suggested changes in the information requested in the proposal application and the adoption of a two-step approach to proposal submission and assessment of need. During the first step, the Commission reviews the prospectus to assess the need, demand, the status of similar existing or planned programs in the public sector, and potential benefit to be received by the State and residents from supporting the academic program contract at that institution. As part of prospectus review, the Commission forwards a copy of the prospectus to the Board of Regents for review in terms of need, demand, cost, and the status of similar existing or planned programs in the State University System. In the 1989 report, the Commission recommended that the Board of Regents continue to review contract proposals submitted by independent institutions to ensure consistency with the State University System Master Plan and to identify similar existing or planned programs in the public sector.

In the event that need is demonstrated and a full proposal is submitted, the quality of the program is assessed, with the assistance of an external consultant. The program must meet reasonable standards of quality as determined by specialized accreditation, licensing or approval by relevant state boards, or a consultant's review as appropriate, and must be of comparable quality to similar public sector programs. In addition, the cost of the proposed contract is compared on a semester credit hour basis with similar public sector programs.

State University System Chancellor Charles B. Reed stated in a correspondence dated December 20, 1989, to Governor Bob Martinez that:

> the Board fully supports the role of PEPC in its oversight of activities dealing with the private sector of higher education in Florida, and adopted the following recommendation in the 1988-89 Master Plan for the State University System: 'state assistance to independent colleges and universities, other than financial aid and tuition vouchers, be provided only for those programs which have been appropriately reviewed and recommended for funding by the Postsecondary Education Planning Commission.'

The Commission recognizes that there are more high quality programs in the independent sector than state funds available for support through contracting. The prescribed review procedures for contracting incorporate funding adjustments, both increases and decreases, to respond to future education demands and growth in the public sector. It is the intent of the Commission to apply the policies and procedures established for contracting to meet the educational needs of the State by balancing funding for selected programs in the independent sector with available programs in the public sector. The Commission also believes that, to address the goal of preserving the dual system of postsecondary education in Florida, total funding for contracts with independent institutions which undergo appropriate state level review should generally reflect increases in the level of funding in the public sector.

In summary, the analysis of funding effectiveness and policies and procedures included the review and recommendations from the 1989 report entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions**, and the review presented above. Based on this analysis, the Commission believes that academic program contract funding has been effective in providing access to programs of at least the quality in the state universities at a comparable cost with the flexibility to adjust to the changing needs of the State.

Recommendation:

1. **Contracting with independent institutions for existing academic programs should continue to serve the State as a cost effective and efficient mechanism to provide access to needed educational opportunities by taking advantage of independent institutions' prior investments and avoiding duplicative start-up costs.**

2. **The policies and procedures for establishing and monitoring academic program contracts provide for the evaluation of need, quality, and cost efficiency necessary to ensure the prudent use of state funds and that access to selected programs in independent institutions is being enhanced, and should therefore be maintained.** The alternative paths currently used by the Commission for the identification of possible program areas to be considered for a contract (through a special study by the Commission or directly by the institution) should continue to serve as mechanisms for identification of program areas of need. In addition, when postsecondary education needs are identified by other sources external to the Commission, a request for proposals process should be initiated by the Commission, after which established policies and procedures for the review of academic program contract proposals should be followed.

Legislature-Initiated Projects

The 1989 Legislature directed the Commission to analyze two types of education projects which are initiated directly through legislative action rather than at the request of state education agency. The two types of projects, student services and research projects, share some similarities in the manner in which they are established and monitored. However, the difference in the focus of these types of projects suggest the need for different policies and procedures to establish and monitor each type. The projects that have received funding directly from the Legislature and the policies and procedures used to administer them received review in the 1989 study entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions**, and have been updated in Chapter III of this report. The following sections provide an analysis of their funding effectiveness and the policies and procedures used to establish and monitor the student services and research projects.

Legislature-initiated projects are funded at independent institutions to provide a variety of student services, such as enhancing education experiences for minority students, providing student financial assistance, and awarding funds for space-related research; and research projects for spinal cord, epidemiology, and geriatric education, and development of simulated medical training equipment. These projects are funded through line item appropriations in the General Appropriation Act with minimal prescription in proviso language as to the purpose of the funds upon which to base effectiveness. Therefore, for the purpose of this study, it is difficult to determine whether a state need for the project exists, or whether the project is effective in meeting any need.

As previously stated, there are no established policies or procedures for initiating funding for these projects. As discussed in the Commission's 1989 report, the practice of the Legislature directly appropriating funds for contracts at independent institutions without a formal review and evaluation process has been questioned by several groups. For example in 1987, the Independent Colleges and Universities of Florida (ICUF) recommended that proposals for state funding of selected independent institutions in Florida and start-up academic programs in independent institutions be reviewed by the Commission in a manner similar to existing academic program contracts. ICUF has opposed the actions of independent colleges and universities which have circumvented the approval procedures for contract submission by going directly to the Legislature.

Similarly, in the 1988 **State University System of Florida Master Plan** it was recommended that "state assistance to independent colleges and universities, other than financial aid and tuition vouchers, be provided only for those programs which have been appropriately reviewed and recommended for funding by the Postsecondary Education Planning Commission." When directed in the 1988 General Appropriations Act to review 15 academic program contracts for consistency with the State University System Master Plan, the Board of Regents in its October 1988 report reiterated its position that contracts for the Edward Waters Upgrade, the Technological Research and Development Authority housed at FIT, and Nova University's undergraduate program are "not consistent with the SUS Master Plan as they were not appropriately reviewed and recommended for funding by the Commission." Again in 1989, the Board of Regents was directed by the General Appropriations Act to review 15 academic program contracts which have undergone Commission review and recommendation (11 of which were reviewed last year), and one legislature-initiated contract with Nova University (also reviewed last year) for consistency with the State University System Master Plan. The Board of Regents reaffirmed its position that the Nova University project is inconsistent with the State University Master Plan.

In response to the evidence presented concerning legislature-initiated contracts, in the 1989 report **A Study of Academic Program Contracts with Independent Postsecondary Institutions**, the Commission recommended:

> Section 240.147, Florida Statutes, should be amended to require that all proposals for state support of instructional or student services programs in independent institutions should first be reviewed by the Commission. In addition, any requests for funding of research projects at independent institutions not reviewed by another state entity should be reviewed by the Commission prior to receiving legislative funding and being included in an education budget entity.

Although legislation consistent with this recommendation was filed, it was not enacted by the 1989 Legislature.

Establishing programs at independent institutions without review for consistency with state planning contributes to a concern for monitoring the proper use of state resources. By appropriating funds without the demonstration of need and quality, no measurement standards are established upon which to determine any benefit to the State. In other words there are no agreed-upon goals, the accomplishment of which would demonstrate compliance with a contract. Therefore, monitoring is primarily limited to ensuring the proper release of state funds and compliance with any appropriation proviso stipulations; efficiency and effectiveness are not components of the monitoring.

Annual year-end fiscal reports, and institutional plans for the following year are required by the state agency, but the state office does not conduct a program review of need or quality. The State has contractual authority to terminate the contract if it determines nonperformance or inadequate performance of activities; however, as previously stated, no standards for programmatic performance are established. Performance is reported in the year-end and fiscal reports for the Board of Regents and through year-end, fiscal, and mid-year progress reports for the Department of Education.

As detailed in the previous report, the Commission strongly believes that proposed contracts should be evaluated prior to being funded. Also, while all programs in the public community college and state university systems and the academic program contracts in independent institutions under the Commission's review are required to be evaluated periodically by external consultants, no similar requirement is placed on these state-supported projects once they have been appropriated by the Legislature.

In response to the evidence presented concerning the administration and monitoring of legislature-initiated contracts, in the 1989 report **A Study of Academic Program Contracts with Independent Postsecondary Institutions**, the Commission recommended:

> The Legislature should require comprehensive annual reports which include quantified fiscal and programmatic data of all state-supported projects in independent institutions. These reports should be monitored by the state agency where the project has been

> placed following legislative funding. Projects which fail to meet minimum standards of quality should be visited by the agency. If deficiencies are not corrected, the state agency should recommend project termination to the Legislature.

In response to this recommendation, in the General Appropriations Act the 1989 Legislature directed that:

> Budget entities administering contracts which have not been reviewed and recommended by the Postsecondary Education Planning Commission shall require annual reports which include quantified fiscal and programmatic data for all such contracts at the independent institutions. Contracts which fail to meet minimum standards of quality should be visited and corrective actions identified.

Although this proviso language requires review of the legislature-initiated contracts, additional direction is needed, through a proposal submission and review process, regarding the establishment of minimum standards of quality upon which the budget entities can base their evaluation.

Section 240.147(4), F.S., authorizes the Commission to:

> recommend to the State Board of Education contracts with independent institutions to conduct programs consistent with the state master plan for postsecondary education. Each program shall be reviewed with the cooperation of the institution every five years.

The Commission has authority to review all proposals for state support of instructional or student services projects in independent institutions for recommendation to the State Board of Education and the Legislature, and to assist in the periodic review of funded projects. Institutions interested in receiving state support for instructional or student services projects could submit a proposal to the Commission in which need, quality, and cost efficiency to the State are demonstrated. The Commission could apply review policies and procedures to such proposals similar to those applied to academic program contract proposals. It is not the Commission's intent to expand its own responsibilities, but to assure that funding decisions regarding independent institutions are made after systematic review at the state level within a consistent policy framework.

Since the focus of projects administered by the Board of Regents (listed on Table 5, p. 26) is specialized research and instruction, review by a state agency without knowledge of the specialities involved would become problematic. However, a means to assess the need for and the quality of projects prior to providing state support is warranted. The Commission believes that the Legislature should provide a means to award and monitor state funds for specialized research and instruction which would include a process of peer review. Such a process would include submission of competitive proposals to be reviewed by an expert consultant(s) from outside the State, or a state agency or council for research, e.g., the Florida High Technology and Industry Council.

Recommendations:

3. **The Commission should review all proposals for state support of instructional or student services projects in independent institutions for recommendation to the State Board of Education and the Legislature, and to assist in the periodic review of funded projects.** Contracts for funded projects should be administered by the Department of Education.

4. **Requests for state support for specialized research and development projects at independent institutions should undergo a process of peer review at the state level prior to consideration by the Legislature.** Such a process should include the submission of competitive proposals from institutions of higher education in Florida to be reviewed by an expert consultant(s) from outside the State, or a state council or agency for research, e.g., the Florida High Technology and Industry Council.

An additional issue related to state-supported projects at independent higher education institutions is state interest in copyrights, patents, and revenue-generating activities of the state-supported project. The 1989 Commission report entitled **A Study of Academic Program Contracts with Independent Postsecondary Institutions** stated that several contracts have supported the acquisition of equipment or the development of curriculum materials and computer-assisted learning packages. In reference to purchased equipment, the contract used by the Board of Regents for the health-related projects at the University of Miami which are funded by the Legislature states that "any and all equipment purchased with funds distributed pursuant to this contract shall remain the property of the [independent institution]." An example of a computer-assisted learning package, a cardiology patient simulator referred to as "Harvey," was developed by the University of Miami's Medical Training Simulation Lab. This computer-assisted learning package has been upgraded and expanded with the assistance of a state contract since 1986. The state contribution amounts to approximately one-half of the operational costs for the lab. The University of Miami holds both the patent for Harvey and the authority to sell this training package to medical centers throughout the world. The cardiology patient simulator is currently functioning at medical centers in the United States and abroad. Although financing of computer-assisted learning packages is shared by the State and the institution, the ownership or property rights of this asset lie with the institution.

As reported in the Commission's 1989 study, the Board of Regents does not have the legislative authority to specify contractual requirements for these projects beyond fund disbursement with the institutions receiving state allocations, and therefore has no authority to require audits or to assert a state claim to any rights for property acquired or developed. In comparison, the general format of a Department of Education contract includes the statement that:

> anything, by whatsoever designation it may be known, that is produced by, or developed in connection with, this Contract shall

> become the exclusive property of the State of Florida and may be copyrighted, patented, or otherwise restricted as provided by Florida Statutes. Neither the Contractor nor any individual employed under this Contract shall have any proprietary interest in the product.

This language has not been included in contracts with independent institutions by the Board of Regents since its authority is limited to the disbursement of funds.

State Board of Education Rule 6C-5.423 provides authority to the Board of Regents to copyright and patent products resulting from the efforts of State University System employees. The rule requires that employees disclose products and all patentable inventions and technological developments to the Board, which in turn responds within a designated period whether it is interested in pursuing its interest in the copyright or patent. The rule provides that:

> a discovery or invention which is made in the field in which the investigator is employed by the Board or by using State University System funds, facilities, materials, equipment, personnel or proprietary technological information, is the property of the Board of Regents and the inventor shall share in the proceeds therefrom.

If the Board chooses to assert its interest in the patent, an investigation is conducted to assess the respective equities, and the division of proceeds generated are negotiated and reflected in a written contract between the Board and employee. If the Board does not assert its interests in the patent, the patent rights are returned to the employee. All assignments of or release of patent rights by the Board provide that the invention or process, if patented by the employee, remains available royalty-free for governmental purposes of the State of Florida.

In the case of a state-supported contract, the funding relationship is between the State and the independent institution. The Commission recognizes that agreements involving the individual employee are, and should remain, the prerogative of the independent institution.

The Commission believes that the issue of ownership and disposition of materials developed with state funds at an independent institution should be clarified in statute so that a consistent state policy can be implemented.

Recommendation:

5. **The Legislature should authorize the State Board of Education and the Board of Regents to copyright, patent, or otherwise restrict anything that is produced by, or developed in connection with state-supported projects at independent institutions.** The State should be entitled to a share of any revenue generated as a result of such projects. Provisions for copyright, patent, and revenue sharing should be set forth in the contract with independent institutions and should be comparable to those with employees at public institutions.

Indirect Funding Mechanisms for Independent Institutions in Florida

Florida students attending independent institutions are eligible to participate in a variety of state-funded programs designed to provide need-based assistance, reward high academic scholarship, attract students to public school teaching or high technology fields, or narrow the difference between tuition levels at public and independent institutions. The State has two primary programs designed to address the interests of the institutions and students enrolled in the independent sector. Funding policies for both the Florida Tuition Voucher Program and the Florida Student Assistance Grant Program (FSAG) for students enrolled in independent institutions share the same issues of concern for this study: program effectiveness, maximum award levels, and adequacy of funding.

Florida Tuition Voucher Program

The Tuition Voucher Program was initiated in 1979 as a non-need-based, tuition offset program to increase the choices available to resident students by reducing the difference between the tuition levels in the public and independent sectors. As a tuition offset program rather than a financial assistance program, the demonstration of financial need has not been required. The recommendation that the voucher program be focused on providing choice was supported in the 1982 **Master Plan for Florida Postsecondary Education**, the 1983 **Master Plan** supplement entitled **State Student Financial Aid Policy**, and the 1988 **Master Plan Update**, which also stated that the Commission views the voucher program as "the state's primary mechanism for supporting a strong independent postsecondary presence in Florida." Whether the voucher is effective as a non-need-based program is an issue identified for this study.

The current investigation was prompted by questions from legislators and staff regarding the feasibility and desirability of establishing a "need" factor for student eligibility for the Florida Tuition Voucher Program. In order to study the potential effect of changing to a need-based voucher, a number of assumptions have been made concerning student decisions. First, the assumption was made that tuition voucher recipients, who have financial need, completed financial disclosure forms used for the award of need-based Florida Student Assistance Grant (FSAG) funds. This assumption may not hold true if a student had low financial need which would have been negated by the current tuition voucher award of $1150, the receipt of which does not require completion of financial need analysis forms. In addition, this assumption would not hold true if the student decided to attend an institution after the FSAG application deadline date of April 15. The analysis also relies on the assumption that despite a potential change in the amount of state support received, the student would still attend the same institution. In reality the award of a tuition voucher or the amount of FSAG funds received may have an important effect on student choice. In spite of these limitations and given the time and data constraints faced by the Commission, the analysis which follows provides a reasonable estimate of the impact of shifting to a need-based voucher.

This analysis was limited to the number and amount of awards made to students attending independent institutions that were eligible to participate in the Tuition Voucher Program during 1988-89. It is important to note that currently, the majority of the costs for administration of the Tuition Voucher Program are borne by the independent institutions. Changing to a need-based voucher would both increase the administrative costs and also shift the majority of such costs from independent institutions to the State.

To analyze the effect of changing to a need-based voucher, a comparison was made of the number of recipients of vouchers and FSAG awards for 1988-89. Table 8 lists the institutions that are eligible for the voucher program, the number of recipients and the amount of awards for both the voucher program and FSAG for each institution. The total number of recipients and amount of awards are listed for both programs. Of the 15,174 students attending independent institutions who received tuition vouchers, only 5014 received FSAG need-based awards. Therefore, if the voucher program were restricted to need-based awards, the number of recipients would drop from 15,174 to approximately 5014, a difference of 10,169 students. If the voucher program were changed to a need-based award, the distribution of funds would be determined in a manner similar to the award of FSAG funds. A redistribution of tuition voucher plus FSAG funds is demonstrated in the Appendix.

As indicated earlier, the impact on the institutional choice patterns of individual students cannot be accurately predicted. However, if half of these "non-needy" students were to choose a public Florida institution, rather than an independent one, the increased cost to the State would be in the range of $20 to $30 million annually (compared to the cost for vouchers of approximately $12 million). This estimation is based on the 1988-89 figures for average state funding per FTE of $3680 for community colleges (Southern Regional Education Board) and full cost per FTE ranging from $4600 to $6800 (per discipline) for undergraduates in the state universities (1988-89 SUS Cost Report).

During the October 1989 Planning Committee meeting, a representative of the Independent Colleges and Universities of Florida (ICUF) requested that the Commission reaffirm its position that the tuition voucher should serve to offset the difference in student charges in the public and independent sectors and that FSAG should serve as the vehicle for need-based aid. Alternatively, other meeting participants questioned the rationale of giving state funds to students who have sufficient financial resources to pay the cost of attending an independent institution. However, this question can also be applied to the rationale of providing education in the public sector at low tuition rates to students who are financially capable of paying a higher rate which would better reflect actual costs. Furthermore, the 1989 Legislature amended the Section 240.605, F.S., to state,

> because the State Tuition Voucher Fund is not related to a student's financial need or other criteria upon which financial aid programs are based, it is the intent of the Legislature that the State Tuition Voucher Fund not be considered a financial aid program, but rather a tuition assistance program for its citizens.

The Commission believes in the educational value of promoting the social and economic diversity of students in both the public and independent sectors through funding programs. Furthermore, as noted in **State Student Financial Aid Policy**, the first supplement to the **Master Plan** in 1983, the rationale for

TABLE 8

STATE AID TO STUDENTS ATTENDING INSTITUTIONS ELIGIBLE
FOR TUITION VOUCHERS: 1988-89

FLORIDA TUITION VOUCHER INSTITUTION	TUITION & FEES	FLORIDA TUITION VOUCHERS # STUDENTS	FLORIDA TUITION VOUCHERS $ FUNDING	FSAG # STUDENTS	FSAG $ Funding	TOTAL $ FUNDING VOUCHERS & FSAG
Barry University	6,670	721	795,291	154	193,554	988,845
Bethune-Cookman College	3,775	987	1,084,989	445	560,260	1,645,249
Clearwater Christian College	3,332	152	175,916	76	91,592	267,508
College of Boca Raton	7,500	89	95,482	20	23,400	118,882
Eckerd College	8,865	449	478,850	184	230,750	709,600
Edward Waters College	3.116	311	325,704	79	83,343	409,047
Embry-Riddle Aero. University	4,240	415	386,988	168	195,484	664,516
Flagler College	3,700	641	711,740	187	221,169	932,909
Florida College	3,000	63	67,979	12	10,300	78,279
Florida Institute of Technology	5,949	244	313,777	158	177,265	491,042
Florida Memorial College	3.550	682	764,110	198	231,572	995,682
Florida Southern College	4,800	1.104	1,189,333	201	244,352	1,433,685
Jacksonville University	6.170	874	943,979	184	221,767	1,165,746
Nova University	5.000	1.079	1,103.366	236	269,041	1,372,407
Palm Beach Atlantic College	4,500	696	748,093	160	191,750	939,843
Ringling School of Art and Design	6.100	257	278,680	103	128,020	406,700
Rollins College	10.005	407	450,090	127	162,698	612,788
Rollins, Continuing Education	2.115	129	142,265	1	1,300	143,565
St. Leo College	5,820	428	481,272	110	135,045	616,317
St. Thomas University	5,850	573	618,087	89	113,511	731,598
Stetson University	7,010	1,339	1,448,803	397	492,648	1,941,451
University of Miami	9,787	2,758	2,925,640	1,475	1,808,811	4,734,451
University of Tampa	7,680	550	594,385	169	210,124	804,509
Warner Southern College	4,569	144	156,300	50	58,519	214,819
Webber College	4,580	82	88,722	31	39,097	127,819
TOTAL		15,174	$16,369,841	5,014	$6,095,372	$22,547,257

Note: The maximum award for a tuition voucher is $1150, and for FSAG is $1300 per student.
Source: Department of Education's Office of Student Financial Assistance.

the Tuition Voucher Program includes not only the provision for choice, but also the maintenance of a strong dual system of postsecondary education in Florida and the potential savings to the State for every student who elects to attend an independent rather than public institution. The Tuition Voucher Program was at its inception and remains today a demonstration of the State's commitment to maintaining a strong dual system of postsecondary education. The Commission strongly believes that changing to a need-based voucher would destroy the fundamental purpose of the program.

Recommendation:

6. **Tuition voucher awards to resident students should continue to offset tuition levels in the independent sector and should be made without the consideration of financial need.** The Tuition Voucher Program should continue to be the State's primary mechanism for supporting a strong independent postsecondary presence in Florida.

The Florida Tuition Voucher Program was designed to increase the choices available to resident students by decreasing the difference between tuition levels for the public and independent sectors. Recognizing that the difference in tuition levels in the public and independent sectors could change over time, the 1982 **Master Plan** recommended the decisions affecting the funding levels for tuition vouchers should be related to state tuition policy. During the past five years, the maximum award level for the voucher was raised from $835 in 1984-85 to $1150 in 1988-89.

The 1988 **Master Plan Update** recommended that "increases in the level of the tuition voucher should be provided as necessary to prevent further growth in the tuition differential between the public and independent postsecondary sectors in Florida." While the value of the voucher has grown since its creation in 1979 from $750 to $1150, it has not kept pace with the growing difference between public and independent charges. Table 9 summarizes the average tuition and fees charged to Florida residents attending public and independent institutions in 1979-80 and 1988-89. Included in the table is the percentage of increase for each rate.

During 1988-89, the average cost for tuition and fees at a state university was $1100, and at an independent institution in Florida, $5507. The difference between average tuition and fees for a state university and an independent institution was $4407. The receipt of a voucher for $1150 by a student attending an independent institution reduced the difference to $3257. In comparison, the average cost for tuition and fees in 1979-80 at a state university was $750, and at an independent institution in Florida, $2590. The difference between average tuition and fees for a state university and an independent institution was $1840 in 1979-80. The receipt of a voucher for $750, the maximum level of a voucher in 1979-80, reduced the difference to $1090. Therefore, the tuition disparity has almost tripled from $1090 in 1979-80 to $3257 in 1988-89.

TABLE 9

PUBLIC AND INDEPENDENT TUITION AND FEES COMPARISON
1979-80 AND 1988-89

HIGHER EDUCATION SECTOR	AVERAGE TUITION AND FEES 1979-80	AVERAGE TUITION AND FEES 1988-89	% INCREASE 1979-80 TO 1988-89
Community College	$ 400	$ 672	68
State University (systemwide)	750	1,100	47
Independent Institutions	2,590	5,507	113

Source: FSAG Budget list of institutional costs, 1979-80 and 1988-89, Department of Education.

The 1989 Legislature amended the State Tuition Voucher statute to authorize,

> the amount of the tuition voucher issued to a full-time student shall be no less than $1150 and no more than $2000 per academic year or as specified in the General Appropriations Act.

This change raises the base in statute from $1000 to $1150 and provides a range for the maximum award up to $2000.

The funding policies that the State has formed for students attending independent higher education institutions are similar to the funding strategies of several other states. These states address the interests of both the public and independent sectors by offering financial aid and tuition offset programs to balance tuition disparities caused in part by low public tuition rates. As a final method of analyzing the maximum award level, the voucher awards and average public tuition rates for five other states are compared to Florida's awards and rates for 1989-90 in Table 10.

The average award for these states is $1082 and the average tuition level is $1656. Florida's maximum award level is $68 above average, while the public tuition level is $408 below average for these six states. In general, to address the interests of both the public and independent sectors, lower public tuition levels are matched with higher tuition offset grant awards.

An issue identified for this study is whether the maximum award for the voucher is set at an appropriate level. The Legislature has stated that the intent of the tuition voucher is to serve as a tuition assistance program to lessen the difference between tuition levels in the public and independent sectors. The voucher is not intended to totally eliminate the difference between the two sectors. While the comparison of voucher maximum awards levels in other states does not appear to support raising the cap at this

TABLE 10

A COMPARISON OF TUITION OFFSET GRANT PROGRAMS FOR SIX STATES: 1989-90

STATE	MAXIMUM AWARD	AVERAGE PUBLIC TUITION AND FEE LEVEL
Alabama	$ 1200	$ 1429
Florida	**1150**	**1248**
Georgia	900	1446
North Carolina	1150	980
Ohio	590	2350
Virginia	1500	2483

Sources: Southern Regional Board, November 1989 and Washington Coordinating Board, December 1989.

time, Section 240.605(5)(a), F.S., authorizes the Legislature to adjust the maximum award between $1150 and $2000 per academic year in the General Appropriations Act on an annual basis. Appropriate funding levels can be determined through a comparison of public tuition levels and tuition offset grants in Florida and other states, and adjustments can be made within the range provided in statute.

Recommendation:

7. **The State should continue to relate decisions affecting funding levels for the Tuition Voucher Program to state tuition policy.**

The Florida Tuition Voucher Program was first funded in 1979-80 for $2.4 million. This funding provided 3518 Florida students with the maximum-allowed award of $750. Since its creation, the program grew to serve over 15,000 students in 1988-89 with maximum awards of $1150 for approximately $16.7 million. An issue identified for this study is whether the Tuition Voucher Program has been adequately funded. Table 11 provides the history of the Florida Tuition Voucher Program's appropriations, the number of students served annually, the maximum level of annual award authorized, and the actual level of the awards.

TABLE 11

FLORIDA TUITION VOUCHER FUND

	APPROPRIATION	# STUDENTS	PROVISO $ MAXIMUM	ACTUAL $ AWARD
1979-80	$ 2,400,000	3,518	$ 750	$ 750
1980-81	4,100,000	6,827	750	750
1981-82	7,299,000	9,914	750	750
1982-83	9,500,000	13,422	750	717
1983-84	10,100,000	14,645	750	716
1984-85	11,900,000	15,613	835	778
1985-86	13,323,084	15,886	876	852
1986-87	15,989,392	13,976	1,000	1,000
1987-88	15,975,700	13,784	1,100	1,100
1988-89	16,672,650	15,174	1,150	1,150

Source: Department of Education, Office of Student Financial Assistance.

Only during six of the 10 years in which the Tuition Voucher Program has existed have students received the maximum amount authorized. The program has not been consistently funded to an adequate level.

Recommendation:

8. The Florida Tuition Voucher Program should be adequately funded, as requested in the budget of the Department of Education, to provide all eligible students the full award amount authorized.

Florida Student Assistance Grant Program (FSAG)

The Florida Student Assistance Grant Program was initiated in 1972 as the State's major need-based aid program for the provision of financial access to postsecondary education for Florida residents. The 1983 **State Student Financial Aid Policy**, the first supplement to the **Master Plan**, recommended the continuance of FSAG as the State's primary "access" grant program. By assisting in the provision of access, the State has sought to maintain student and institutional diversity in a strong dual system of postsecondary education.

One issue identified for this study is whether the Florida Student Assistance Grant Program is effective as the need-based program for the provision of access. The FSAG program has grown from awarding 283 grants for $360,000 in 1972-73 to awarding 19,614 grants for $18,695,824 in 1988-89. In 1988-89, students enrolled in independent institutions were awarded 6195 grants (32 percent of the total) amounting to $7,328,798 (40 percent of the total). The independent sector has maintained approximately 20 percent of the total state enrollment share throughout the 1980s. In addition, the March/April 1988 edition of **Change** reported that Florida ranked eighth nationally in number of students enrolled in the independent sector.

Although it is not possible to specify the degree to which FSAG has contributed to the independent sector's stable enrollment share, the FSAG program aided 6195 students in attending independent institutions in 1988-89. The Commission believes that capable students with significant financial need should not be precluded from attending independent institutions and strongly supports the continuance of FSAG as the major need-based grant program.

Recommendation:

9. The need-based Florida Student Assistance Grant Program (FSAG) should be maintained as the State's primary "access" grant program serving students in the public and independent postsecondary education sectors.

The Florida Student Assistance Grant Program is designed to be an access-oriented program with funds flowing to lower income students who have the least family financial resources. An issue identified for this study is whether the maximum award for the FSAG is set at an appropriate level and whether the FSAG has been adequately funded.

The Florida Student Assistance Grant Program was first funded in 1972-73 for $360,000. This funding provided 283 students with grants up to $1200. Since its creation, the program has grown to provide over $19 million to 19,614 students this past year (1988-89) with maximum awards of $1300. The Department of Education's Office of Student Financial Assistance reported that over the past few years, the FSAG Program received funds adequate to meet eligible need. However, the Office is anticipating a funding shortfall for 1989-90 as a result of two factors: (1) a new system to determine student need which provides students with the ability and time to correct application errors, thereby increasing eligibility, and (2) more students applied for FSAG than had been anticipated. The Department of Education has requested additional funds from the 1990 Legislature to ensure that all eligible students receive a maximum award of $1300.

In 1988-89, need-based grant programs in the states listed in Table 10 averaged $1843 for maximum awards compared to Florida's maximum grant award of $1300 (Alabama, $2500; Georgia, $450; North Carolina, $1500; Ohio, $3306; and Virginia, $2000). Nationally, the median maximum award was reported to be approximately $1970 by NASSGP for 1988-89.

When established in 1972, the FSAG maximum award level was capped at $1200. This maximum level was raised to $1500 in statute by the 1989 Legislature, however, the General Appropriations Act proviso language set the cap at $1300 for 1989-90. A $1300 maximum award for a student with financial need plus a voucher for $1150 in 1988-89 provided $2450 to an eligible student enrolled in an independent institution. During the same year, the average cost for tuition and fees alone was $5507 at independent institutions in Florida. Once funding reaches the level to ensure that all eligible students receive a maximum award of $1300, an increase in the maximum award is warranted to be consistent with the cap authorized in Section 240.4095(2)(a), F.S., and in recognition of the rising cost of attendance in the independent sector.

Recommendation:

10. **The Florida Student Assistance Grant Program should be adequately funded to provide all students the full amount of award authorized.** Funding should be increased to ensure that all eligible students receive a maximum award of at least $1300. Once this funding level is achieved, funding should be increased to raise the maximum award to at least $1500 as authorized in statute. As educational costs increase, future growth in the statutory cap should be considered to assure continued access for those students with demonstrated need. As the State's primary "access" grant program, adequately funding the FSAG should receive a high funding priority.

Oversight of State Funding for Independent Higher Education

The review of state funding for independent postsecondary education in Florida identified a number of oversight issues that are relevant across funding mechanisms including overlapping aid programs, the demonstration of residency, and auditing state funds.

Overlapping Aid Programs

Tuition voucher awards are designed to lessen the difference between tuition rates in the public and independent sectors; therefore, the receipt of a tuition voucher is restricted if a student is participating in an undergraduate program for which the Legislature appropriated funds to enable participants to attend independent institutions at public tuition rates. In 1989-90, the Legislature funded eight undergraduate academic program contracts (Barry University - nursing; University of Miami - electrical engineering, industrial engineering, nursing, and architectural engineering; Florida Institute of Technology - science education and engineering; and Florida Southern College - elementary/early childhood education) and one legislature-initiated undergraduate program (Nova University - liberal studies) in which resident participants pay public tuition rates and are restricted from the receipt of a tuition voucher. The Department of Education's Postsecondary Education Policy Unit provides the Office of Student Financial Assistance a list of contract program participants to be used to verify that tuition vouchers had not been issued to these students. In addition, the reduced tuition rate paid by the participating students also reduces the amount of financial need determined for FSAG awards.

For the purpose of this study, the list of students who received state-support through undergraduate academic program contracts during Fall Semester 1988, was checked to ensure that these students did not receive a tuition voucher during the same semester. The Office of Student Financial Assistance found that three students had received state funds through both the contract and voucher programs; the students were contracted for refunds of the voucher award. The Commission wishes to encourage the continued efforts of the Department of Education's Postsecondary Education Policy Unit and the Office of Student Financial Assistance in ensuring that participants receive the correct amount of aid for which they are authorized.

Recommendation:

11. The Department of Education's Postsecondary Education Policy Unit and the Office of Student Financial Assistance should continue to work together to monitor the receipt of state aid by students participating in mutually exclusive programs such as the Tuition Voucher Program and Academic Program Contracts.

Demonstration of Residency

In 1986, the Legislature directed the Commission to review the policies and procedures used in classifying students as Florida residents for tuition purposes when participating in educational contracts at independent postsecondary institutions. The Commission analyzed whether the policies and procedures used to demonstrate residency in independent institutions were consistent with those in the State University System. The Commission found that the requirements and definitions used to classify students as Florida residents for participation in academic program contracts with independent postsecondary education institutions were exactly the same as those used to classify students as state residents for tuition purposes at state universities, as they have been required to be by State Board of Education Rule. The procedures used by the five independent institutions hosting contracts at the time of the review were at least as rigorous and stringent as those employed at public colleges and unviersities in Florida. As in the public sector, however, variability in the types and amount of documentation was evident.

The 1986 report also addressed the means for determining residency for the medical education contract at Southeastern College of Osteopathic Medicine (SECOM) and state support for the First Accredited Medical School at the University of Miami. The determination of residency for students attending SECOM or SECOP (pharmacy program) is based on Section 240.1201, F.S., and State Board of Education Rule 6C-7.005, Florida Student Definitions, which is consistent with the determination requirements for academic program contracts and state universities.

In contrast to other programs at independent institutions, state funding for the medical program at the University of Miami is authorized in statute. Section 242.62, Florida Statutes, stipulates each medical student counted for capitation support by the State shall be "a legal resident of the state or, if the student is not of legal age, his parents or legal guardian are residents of the state at the time of the student's acceptance and approval as a medical student." This language precludes reclassification of students as Florida residents at a later date during their enrollment, although such reclassification has been allowed in the past.

To comply with statutory requirements, the University of Miami has required applicants to submit a notarized declaration of domicile document prior to acceptance in the First Accredited Medical School. On the other hand, students in the SECOM and SECOP programs must provide documentation to the institution demonstrating residency for at least the 12 consecutive months prior to qualification. The institutions submit the documentation to the Florida Certification Committee for a review audit. The Board of Regents' Office of Health Affairs works with the Southeastern University of the Health Sciences to clarify, on a student by student basis, any additional documentation needed to substantiate proof of 12 months of continuous residency.

The Commission believes that demonstration of residency should continue to be consistent with requirements in the State University System and should continue to be audited through established procedures. The Commission also believes that the statute for the First Accredited Medical Program should be modified to conform with the requirements used in the State University System to demonstrate the maintenance of legal residence in the State for at least 12 months immediately prior to qualification.

Recommendations:

12. **Procedures for the determination of residency in the State University System and independent institutions' contract programs should continue to be consistent.** Documentation of residency determination for participation in program contracts with independent postsecondary education institutions should be examined within all general audits or reviews of the contract programs as well as those programs with independent institutions administered by the Board of Regents.

13. **The statute governing state capitation support for the University of Miami Medical School (Section 242.62, Florida Statutes), should be modified to conform to or include the definition of Florida residency described in Section 240.1201, Florida Statutes.**

Auditing State Funds

The **Master Plan for Florida Postsecondary Education** states that the recommendations to include the resources of independent institutions in state planning are not meant to infringe upon the customs and practices of these boards. However, independent institutions are responsible to the State for the proper fiscal accounting of all state funds received, and for fulfilling all contractual agreements. Financial and program audits serve to verify compliance with the lawful use of state funds and the terms of agreements or contracts between the State and independent institutions.

The two state programs that provide indirect aid to independent institutions by awarding funds to students currently receive state or external audits. The Bureau of Auditing Services in the Department of Education presently audits the Tuition Voucher Program at independent colleges and universities in Florida. The Florida Student Assistance Grant statute was amended by the 1989 Legislature to require an audit of the administration of the fund. Section 240.409(5)(d), Florida Statutes, requires that:

> Each institution that receives moneys through the Florida Private Student Assistance Grant Fund shall cause to be prepared a biennial report that includes an independent external audit of the institution's administration of the fund and a complete accounting of moneys in the fund. Such report shall be submitted to the department on or before March 1 every other year. The department may conduct its own annual audit of an institution's administration of the fund. The department may suspend or revoke an institution's eligibility to receive future moneys from the fund or request a refund of any moneys overpaid to the institution through the fund if the department finds that an institution has not complied with the provisions of this section. Any refund requested pursuant to this paragraph shall be remitted within 60 days.

However, as reported in the Commission's 1989 report entitled **A Study of Academic Program Contract with Independent Postseondary Institutions**, state education-related contracts with independent institutions have not been subjected to a consistent auditing process. The contractual agreements between the State and independent institutions vary for the academic program contracts, and those contracts which have not been reviewed by the Commission and which are administered by either the Department of Education or the Board of Regents. All three types of contracts require some level of financial reporting, however, none require full disclosure or any type of audit. Without an audit of the specific programs being supported, the State has no true indicator of financial compliance with the contractual agreement or with laws regulating the use of state funds.

In the 1989 report, the Commission recommended that contractual agreements for all state-supported academic and research projects at independent institutions should include a requirement for periodic audits by the Department of Education's Bureau of Auditing Services or an independent auditor in order to determine compliance with the terms of the state contract. However, representatives from the Department of Education's Bureau of Auditing Services responded that such auditing is beyond the Bureau's statutory authority.

The Commission believes that the proper fiscal accounting of state funds is required to ensure the intent of state funding is being met. Compliance with the requirement for an audit could be met by an external auditor, the Department of Education's Bureau of Auditing Services, or the Auditor General.

Recommendation:

14. Section 229.053(2)(o), Florida Statutes, should be amended to authorize the State Board of Education to call for or conduct

an audit of state-funded programs with independent institutions when deemed necessary.

Preservation of the Dual System of Higher Education in Florida

The 1989 Legislature directed the Commission to analyze state policy and practice in regard to each form of state funding for independent higher education. The analysis was to include a description of appropriate state policy, including a description of the role of the Commission on such policy and practice. Each form of state funding has been analyzed individually and with related forms previously in this report; however, analysis would not be complete without looking at total funding to independent higher education. Consideration of state funding along with student enrollment data offers a view on how well state funding is fulfilling the intended role to help preserve the dual system of higher education Florida. The issues identified for this analysis include level of state funding, a comparison of the funding level to other states, and the share of student enrollment in the independent sector.

Level of State Funding

In 1987-88, the total amount of state funds for the independent sector programs discussed in this report amounted to more than $42 million. In 1988-89, the total amount of state funds for independent institutions and their students rose to nearly $47 million, and to approximately $50 million for 1989-90. Table 12 lists the direct and indirect funding mechanisms for independent institutions and funding levels for 1987-88 and 1988-89.

From this analysis, it appears that state funding for independent education has shown steady increases for the past few years.

Comparing funding in Florida to other states provides another perspective. The article in **Change** reported that in 1985-86, Florida ranked:

- 5th in total state funds for the independent sector.
- 6th in the level of funds per student.
- 8th in the number and percent of students enrolled in the independent sector nationally.
- 22nd in the percentage of students enrolled in the independent sector within the State.

The **Chronicle of Higher Education** (October 25, 1989) reported that Florida ranked fifth in 1989-90 for total appropriations to higher education. States that ranked higher than Florida are, in rank order, California, New York, Texas, and Illinois. The national comparison suggests that Florida ranks high in general funding for higher education as well as funding for the independent sector.

TABLE 12

STATE FUNDING MECHANISMS FOR INDEPENDENT HIGHER EDUCATION
1987-88 AND 1988-89

FUNDING MECHANISMS	1987-88	1988-89
Direct:		
Academic Program Contracts	$ 3,307,929	$ 3,555,898
SECOM/SECOP	1,558,000	2,040,000
Department of Education Projects	1,830,000	981,200
Board of Regents Projects	1,005,000	2,105,000
1st Accredited Medical School	10,548,623	11,176,000
SUBTOTAL	**$18,249,552**	**$19,858,098**
Indirect:		
Tuition Voucher	$14,921,130	$16,670,921
FSAG (need-based)	7,007,456	7,328,798
Other Financial Aid Programs	1,930,390	3,113,792
SUBTOTAL	**$23,858,976**	**$27,113,511**
TOTAL	**$42,108,528**	**$46,971,609**

Note: For individual funding programs see Table 4 (Academic Program Contracts), Table 6 (SECOM/SECOP, Department of Education Projects, Board of Regents Projects, and the First Accredited Medical School), and Table 7 (Financial Aid and Tuition Voucher Programs).

In addition to analyzing state funding levels, enrollment levels are an important component for examining how well the State is fulfilling its intended role to help preserve the dual system of higher education. The aforementioned article in **Change** reported that 19.8 percent of students enrolled in Florida higher education attended independent institutions in 1985-86. Enrollment figures for fall semester 1988 indicate that the enrollment share of the independent sector rose to approximately 22 percent (89,497).

The Commission believes that based on both State and national funding indicators, and an increasing enrollment share for the independent sector, the dual system of postsecondary education in Florida is strong. The Commission also recognizes that funding needs for students and priorities for the State change with related changes in population growth, the maturing of the public sector, economic and technological developments, and costs related to tuition levels, facilities, and growth of new programs. Effective state policymaking is dependent on accurate information on current conditions and future projections for tracking state needs and related changes. The Commission believes that the review of such information is necessary to meet the needs of the State through balancing the distribution of financial resources among all available postsecondary education resources.

Recommendation:

15. The Commission should review data related to enrollment trends and state funding for independent higher education and regularly report on the status of independent higher education in Florida.

Conclusion

In 1986 Florida was ranked fifth in the nation in the amount of state funds allocated to independent higher education. Independent postsecondary education institutions currently receive state funds through several direct and indirect mechanisms which are designed to further the state goals of access and choice, and to provide specialized educational services. Direct funding mechanisms include contracting between the State and independent institutions for educational services. Indirect funding mechanisms include the receipt of state funds for Florida residents attending independent institutions who are eligible for numerous state financial assistance programs. The total amount of state funds allocated to independent higher education for 1988-89 was approximately $47 million and for 1989-90, rose to approximately $50 million.

In conducting this study, the Commission reviewed issues related to direct and indirect funding mechanisms, state oversight of funding, and whether funding is fulfilling the intended role to help preserve the dual system of higher education in Florida. The report calls for improvements in the policies and procedures for education contracts, provisions for the State to share in revenue generated as a result of activities in state-funded projects, authorization to audit state-funded programs, and regular reporting by the Commission on the status of independent postsecondary education in Florida.

APPENDIX

Analysis of Need-Based Tuition Voucher for Students Enrolled at Eligible Institutions: 1988-89

ANAYLSIS OF NEED-BASED TUITION VOUCHER FOR STUDENTS ENROLLED AT ELIGIBLE INSTITUTIONS: 1988-89

INSTITUTION	# STUDENTS	FINANCIAL NEED ($)	POTENTIAL NEED-BASED AWARD LEVELS				
			$1300	$2450	$3150	$4000	$5150
Barry University	165	$ 630,318	$ 208,517	$ 385,122	$ 467,746	$ 543,582	$ 597,074
Bethune-Cookman College	456	2,252,486	589,446	1,104,321	1,407,984	1,757,364	2,153,476
Clearwater Christian College	76	312,707	97,369	181,609	226,715	270,639	300,894
College of Boca Raton	20	149,711	26,000	48,110	61,410	77,560	98,684
Eckerd College	184	1,619,693	239,200	447,009	572,792	723,383	920,466
Edward Waters College	81	217,704	94,777	154,267	181,937	205,130	215,275
Embry-Riddle Aero. University	174	780,417	219,863	400,354	501,082	613,921	718,581
Flagler College	186	760,546	232,028	426,639	537,052	650,244	737,102
Florida College	9	17,229	11,237	16,691	17,229	17,229	17,229
Florida Institute of Technology	160	605,415	199,000	374,837	458,876	520,177	566,813
Florida Memorial College	206	932,415	263,513	489,297	620,801	764,049	900,075
Florida Southern College	203	1,006,107	254,643	472,085	596,596	740,869	904,674
Jacksonville University	186	1,112,874	235,950	440,441	559,238	699,027	873,744
Nova University	233	1,310,347	298,569	552,478	700,391	866,387	1,066,779
Palm Beach Atlantic College	160	812,475	207,521	389,379	493,872	607,293	731,194
Ringling School of Art and Design	102	612,698	131,270	242,847	306,703	383,203	481,614
Rollins College	131	1,264,173	168,153	320,829	411,019	518,785	661,778
Rollins, Continuing Education	1	3,725	1,300	2,450	3,150	3,725	3,725
St. Leo College	109	696,065	141,544	265,143	340,043	429,708	543,494
St. Thomas University	132	428,387	158,932	284,883	332,465	374,483	408,857
Stetson University	401	2,764,213	513,898	954,248	1,215,117	1,524,610	1,919,919
University of Miami	1,467	13,473,289	1,890,609	3,533,408	4,515,853	5,686,884	7,231,148
University of Tampa	173	1,308,429	223,124	420,424	539,643	679,567	863,388
Warner Southern College	55	216,370	70,854	132,641	167,429	195,550	211,239
Webber College	33	169,480	41,664	78,375	99,903	124,103	149,901
TOTAL	5,103	$33,457,271	$6,518,981	$12,117,888	$15,335,047	$18,977,475	$23,277,126

Note: This analysis simulated the removal of tuition voucher awards from students and then the redistribution of aid based on financial need information from 1988-89.

Source: Department of Education's Office of Student Financial Assistance.